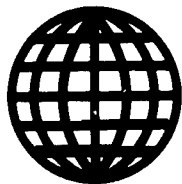
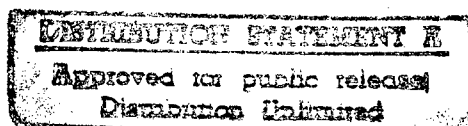


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24 JULY 1992



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# ***JPRS Report***



# **China**

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# China

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24 July 1992

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## NATIONAL AFFAIRS, POLICY

### Li Yining on Prosperity, Stability

92CE0530A Chongqing GAIGE [REFORM] in Chinese  
No 3, 20 May 92 pp 45-46

[Article by Li Yining (0632 0110 1337): "Only a Society With a Prosperous Economy Can Enjoy a Long Period of Peace"]

[Text] Since the Third Plenary Session of the 11th Central Committee of the Communist Party of China, the party's basic line of making economic construction the central task, adhering to the four cardinal principles, and adhering to reform and opening to the outside world has been carried out. Consequently, China's socialist system has been continuously perfected, and achievements in economic construction have attracted attention worldwide. In his speeches given in the southern provinces and cities this time Comrade Deng Xiaoping has made penetrating analyses of our future economic reform and economic development, and further clearly showed us the way forward. We wholeheartedly hope that the party will, under the prerequisite of continuously adhering to the correct basic line, lead the people of the whole nation to further reform and opening to the outside world, greatly enhance the comprehensive national strength of our country, fully develop the superiority of the socialist system, and make the socialist cause invincible.

Reform is self-perfection of the socialist system. Historical experiences both at home and abroad fully indicate that reform requires a stable social environment. But how can such a stable environment be created? The practice of reform and opening to the outside world over the past dozen years clearly tells people: Social stability is based on economic development and economic prosperity. Currently in the world's intricate contradictions, it is of particular importance to speed up reform and opening to the outside world, and economic development. There would be no way out without reform and opening to the outside world. Only acceleration of reform and opening wider to the outside world can promote greater economic development, and gradually lead to economic prosperity. Likewise, only if there is economic prosperity, if the people live and work in peace and contentment, and if full play is given to the superiority of the socialist system, then will there be reliable guarantee for social stability. Some factors that affect social stability such as a multitude of unemployed, the low income of residents in poverty-stricken areas, the slow increase or even reduction of actual salary for staffs, can be alleviated, or disappear only when there is economic development and economic prosperity. China's major problem is that the cake that can be distributed is too small. As long as the cake is small, no matter how it is going to be shared, everyone gets only a little bit. Only by making the cake big or bigger can we handle the problem much better.

Further reform and opening to the outside world requires that theory be the guide. On the eve of the Third Plenary Session of the 11th Party Central Committee, discussions on the issue of the criterion of truth established the guiding principle of emancipating our minds and seeking truth from

facts. It is only inspired by the spirit of the Third Plenary Session of the 11th Party Central Committee that the rural reform created the prerequisites for the vigorous development of rural productive forces. The situation of rural economic prosperity in the 1980s was also gradually formed in the process of popularizing the rural household contract production responsibility system. Without emancipation of the mind, how can there be the rural contracted responsibility system? Who would have the nerve to remove the people's commune system? Who would dare spread the experiences of Fengyang County, Anhui Province?

Today, we are starting to carry out urban economic reform, and reform of the enterprise system. In this aspect, what is most urgently needed is new depth and new breakthroughs in theory. At present, in the actual work of continuing economic reform and opening wider to the outside world, many problems exist that need to be fully understood. Unclear recognition of these problems will not only be detrimental to the proceeding of reform and opening to the outside world, but also may become an obstacle to further reform and opening up. For instance, a crucial issue in the economic field that we need to gain a clear idea of theoretically is: After all, what are the criteria of assessing the economic system and of assessing the economic reform measures? If we do not have a clear understanding of these problems, continuing economic reform will be bound to encounter extreme obstructions. In retrospect, originally the formation and popularization of the rural contracted responsibility system also encountered similar resistance. Some people thought this was "retrogression," and "the restoration of private ownership." It seems that under the people's commune system, no matter how poor farmers were, the general direction of socialism was still adhered to. Practice is the criterion for judging the truth. Practice has made a clear answer to the experiences of Fengyang County, Anhui Province: The rural contracted responsibility system is not private ownership but a form of realizing socialist public ownership in the rural areas. This kind of economic system is in conformity with the actual conditions of China, and is suited to the level of social productive forces. The system mobilized the enthusiasm of hundreds of millions of farmers, made them become rich through labor, and led to living and working in peace and contentment. Without the new trails blazed by the system, could there be so many agricultural and sideline products at the markets now? Could the countryside in Anhui Province have endured the catastrophic flood of last year?

It is beneficial to review the history of rural reform. During the 1990s, we ought to advance with big strides in reforming the various aspects of urban economy. We ought to explore the effective form of realizing socialist public ownership in the urban economy. Without emancipation of our minds and the deepening of theories, there can be no attainment of an effective form of realizing public ownership. Thus, there could not be much headway in economic development. How can we be overwhelmed by difficulties? Can we just sit and watch the losses incurred in public enterprises accumulate without thinking of any measures and ideas to invigorate public enterprises? Emancipation of our minds is consistent with persisting in seeking truth from facts. Whatever has

been proven in practice to be conducive to the development of social productive forces and to economic prosperity and social stability, such as limited-liability companies, stock exchanges, futures exchanges, and real estate markets, should be introduced, used, and transformed into things of our own. Socialism with Chinese characteristics is not a ready-made dogma in books, but needs to be created in practice by the broad masses of the people. The effective form of realizing the socialist public ownership also can become a reality only on the basis of exploration, launching pilot projects, and summing up experiences. We must fully trust the distinguishing ability of the masses of the people, inspire their creativity, and support the broad masses of the people to daringly blaze new trails in the course of pursuing the socialist cause. In actual life, except for the rural contracted responsibility system, is it not true that farmers, in accordance with their local actual situations, created the stock cooperative system between town and township enterprises and the countryside, rural stock system (also called mountain forest stock system), and so forth? As for all of these, if we are going to call them "socialist" or "capitalist," then we should primarily determine whether they are conducive to the development of the socialist productive forces, conducive to the enhancement of the comprehensive national strength of our socialist country, and conducive to the improvement of people's living standards. We are confident that so long as we follow Comrade Deng Xiaoping's directives about building socialism with Chinese characteristics, our socialist cause will certainly make more and more remarkable achievements.

### **Zhang Zhouyuan on Congruity Between Reform, Socialism**

92CE0527A *Chongqing GAIGE [REFORM] in Chinese*  
No 3, 20 May 92 pp 42-44

[Article by Zhang Zhuoyuan (1728 0587 0337): "It Is Imperative To Stress the Congruity Between Reform and Socialism"]

[Text] The party's basic line of "one central task and two basic points" is a unified whole. By adhering firmly to the party's basic line without vacillation for 100 years, the country will be well governed and enjoy stability for a long time to come, and China will be full of promise.

To implement the party's basic line still better, we need a proper understanding and grasp of the relationship between the two basic points, especially the relationship between reform and opening up on the one hand and adherence to the socialist orientation on the other. Now, some people regard reform and opening-up and adherence to socialist orientation as opposites, and misinterpret the former as introducing and developing capitalism. In view of this, I believe that it is imperative to stress the congruity between them.

China's practice and the achievements it has scored in conducting reform and opening to the outside world over the past 13 years have convincingly proved that we must persist in reform and opening up to further liberate our productive forces, radically change the economic system

restricting the development of productive forces, and establish a socialist economic system full of vigor and vitality. This is the only way to achieve still better results in developing social productive forces, develop the vitality and superiority of the socialist system, put socialism on a firm footing, and consolidate and strengthen the socialist front. Comrade Deng Xiaoping put it so well when he made this statement: Without our achievements in reform and opening up, we would have been unable to leave behind the 4 June incident. If we had not left that incident behind, there would have been chaos, and chaos would have led to a civil war. The "Great Cultural Revolution" was a civil war. How could China remain stable following the 4 June incident? The reason is that we have engaged in reform and opening up, which have promoted economic development and improved the people's living standards.

China has accelerated its economic development since 1979, thanks to reform and opening up. From 1979 to 1991, the gross national product scored an average increase of 8.6 percent annually, a growth rate in the front ranks of the world. In the meantime, the people have received unprecedented material benefits. Therefore, their confidence in socialism is strengthened. Moreover, we can see that where big strides are made in reform and opening up, the economy is developing rapidly, and the position of socialism is not weakened, but strengthened.

On the contrary, if a socialist country carries on the traditional economic system instead of reform and opening up, and the economy is underdeveloped or develops too slowly, then the socialist system may not have a firm footing. It is exactly because some socialist countries refuse to reform and open up, or fail to do this successfully that they are unable to compete with capitalist countries around them, and finally lose their socialist position although the leaders subjectively desire to maintain socialism. In studying the lessons from the systemic changes of some socialist countries, we cannot attribute the change to reform and opening up. Rather, we should thoroughly consider the fact that their refusal to reform and open up, or failure to do this successfully has caused their slow economic development, which is the most profound reason for system changes. Whoever maintains the viewpoint of historical materialism has to acknowledge this bitter objective reality.

Now, China is unswervingly marching on the socialist road with the determination not only to have a firm footing, but to win victory in economic competition with capitalist countries in the future. We must do even better in implementing reform and opening up. We must make ceaseless efforts to liberate and develop our productive forces, promote economic construction, and use real facts to prove that the socialist system is surely superior. The most essential aspect of its superiority is: The socialist system can create higher labor productivity than the capitalist system.

Reform and opening up in socialist countries have their own characteristics. First, it should be conducted under the condition of preserving the unique essence of socialism. In no way should this unique essence be ignored in the course of reform and opening up. The unique essence of socialism

consists of two things: First, public ownership is the mainstay or plays a leading role. Second, socialism takes the road of common prosperity. As long as we guard against departure from these two things in the process of reform and opening up, our socialist foundation will not be shaken, and no harm will be done to socialism. It should be noted that the process of reform and opening up will introduce some decadent capitalist things into our country. For instance, after we started opening up, some decadent things have come in, such as drug abuse, prostitution, and economic crimes. These things should be resolutely banned and should in no way be allowed to develop. In addition, we should gear up the construction of a clean and honest administration. Therefore, we should make dual efforts. We should promote reform and opening up on the one hand and strike at various criminal activities on the other. By doing so, we will make reform and opening up more congruous with our goal of keeping to the socialist orientation and the four cardinal principles. We will be able to bring into fuller play the positive role of reform and opening up in promoting socialist construction.

Another reason for stressing the congruity between reform and opening up and adherence to the socialist orientation is the upturn in the last two or three years of "leftist" ideas negating or doubting the propriety of reform and opening up.

A significant expression of such "leftist" ideas is to question every reform and opening up measure and proposal as to whether it is "capitalist" or "socialist," or to dub everything "capitalist" and knock it down at one stroke. This may be the major reason that we have neither taken any sufficiently big step nor fully seized upon any good opportunity to reform and open up since the start of the program of improving the economic environment and rectifying the economic order.

For example, some people have accused that price reform prior to 1988 was guided by the idea of establishing a market economy. They said that the role of the market mechanism was overemphasized, and described the market economy as unique to capitalism. Comrades insisting on this idea suggest that the planned price system be reestablished, saying that planned prices should be applied to over 80 percent of the means of production. Under such pressure, despite the initial success in controlling inflation, the nearly zero monthly link-relatives of the retail price index, and the sluggish market for some consumer goods since the fourth quarter of 1989, plus some economists' suggestion to take that opportunity to reform the price system, especially to decontrol prices, up to early 1991 our effort had been limited to a planned adjustment of prices (on a relatively large scale and to a significant extent) without any appreciable effect on price decontrol. One year's precious time was thus wasted. Similarly, under the same pressure, only slow progress has been made in changing the double-track price system to a single-track system for means of industrial production. The few measures taken in this regard are only aimed at changing the double-track price system to a planned price system or a state-guided price system. Up to now, a nationwide single-track price system regulated by the

market has not been established. At present, more and more people agree that, from now on, the double-track price system for means of industrial production should by and large be changed to a single-track market price system. So far, however, change has been made only for a few noncompetitive-type products, and the new single-track prices are planned prices. In actual practice, there are many obstacles to instituting the single-track market price system, and it is extremely difficult to take any step forward.

As another example, a relatively large number of theoreticians agreed long ago that the contract system should not be the goal for reforming state-owned enterprises. As early as 1987 when the State Commission for Restructuring the Economic System assigned eight units to work out a medium-range (1988-1995) economic restructuring program and a basic mindset for that program, almost all agreed that the enterprise reform process should be a step-by-step transition from the contract system to the shareholding system; that is, the shareholding system should be the main direction of enterprise reform. During the past few years, however, there have always been some who intimidate people by calling the shareholding system "capitalist" in nature. This has caused numerous difficulties in experimenting with and implementing the shareholding system. Work in this regard progressed at a slow pace, and for some time was at a standstill. We cannot say this has nothing to do with the present problem that enterprises reform is seriously lagging behind, and the operational mechanism of enterprises has not been improved.

A third example is that some people think that the main danger of peaceful evolution comes from the economic field. They allege that with a greater amount of foreign capital, there will be more capitalist factors at work, and that more "three types of foreign-funded" enterprises will mean more capitalist things, that is, the development of capitalism. This allegation is obviously lopsided. With regard to the drop of state-owned industrial output in the gross industrial production by two percentage points, they describe this as terrible as if it has shaken the mainstay of the public ownership system. This issue must be analyzed carefully. It is true that the state-owned industrial output has dropped each year. The question is what measure we should take. Shall we continue enterprise reform to boost the vitality of state-owned industrial enterprises to better develop the leading role of the state-owned economic sector? Or shall we artificially suppress the development of the nonsocialist economic sectors, in particular the "three types of foreign-funded" enterprises? If we choose the latter, a problem will arise because, by doing so, we will inevitably affect the development of the entire economy and hamper the improvement of our social productive forces. It appears that we should depend on reform as a solution. Through reform, the state-owned economic sector can boost its vitality, develop itself, gain strength, and play a principal role in the course of market competition, while the nonstate-owned and nonsocialist economic sectors will continue to develop themselves and display their role in benefiting the national economy as guided by the state plan and the industrial policy.

For some time, we have taken no big stride and have not been daring enough to make breakthroughs in reform and opening up. In the final analysis, this is because we are afraid that too many capitalist things will be introduced, and we will take the capitalist road. How should we deal with the question of the "capitalist" or "socialist" nature of a move, after all? The main criterion for judgment should be whether it facilitates the development of productive forces of our socialist society, whether it helps boost the comprehensive national strength of our socialist country, and whether it improves the living standards of our people. This will give a radical answer to the question raised by the "left" theoreticians and politicians who intimidate people by wielding the bludgeon of "capitalism" versus "socialism."

Many things are not "capitalist" in nature. For instance, more planning or more market regulation is not the essential distinction between socialism and capitalism. The planned economy is not tantamount to socialism, for capitalism also has planning. The market economy is not equal to capitalism, for socialism also has markets. Both planning and market regulation are economic means and resource-allocation methods. This significant theoretical breakthrough will eliminate the "left" interference, give a powerful impetus to market-oriented reform, and expedite the establishment of a new socialist planned commodity economy. Now, it is becoming increasingly clear that if socialism is to gain the advantage comparable to capitalism, it must boldly absorb and draw on all achievements in civilization created by human society as well as all advanced operational and managerial methods reflecting the law of modern socialized production practiced by various countries in the world, including developed capitalist countries. Economic development experience gained by all countries in the world has proved that so far the market is a relatively effective means and way for allocation of resources. Especially in the case of competitive-type trades and products, best efficiency is achieved when production and operations are guided by the market. Even with regard to natural monopoly items and public utility products, it is still necessary to earnestly consider the relationship between market supply and demand, and respect the law of value. Therefore, to develop the commodity economy, expand market relations, cultivate various types of markets, establish, and improve the competitive-type market system should be our most important tasks in continuing economic restructuring in the future.

Though several things are "capitalist" in nature, such as the three types of foreign-funded enterprises, we should not be frightened by "capitalism." Since we are now still in the initial stage of socialism, we cannot establish an extremely pure and unified socialist economy wholly based on public ownership. We should still allow the existence and development to some extent of those nonsocialist economic sectors, including the capitalist economic sector, so as to facilitate our socialist construction cause. As long as we are clear-headed, we should not be afraid of the "three types of foreign-funded" enterprises. With regard to the "three types of foreign-funded" enterprises in China at the present stage, foreign businessmen will always make money in accordance

with the current laws, regulations, and policies. However, the state will levy taxes on them, and workers earn wages. At the same time, we can learn technology and management methods from them, and get information for opening new markets. The three types of foreign-funded enterprises are circumscribed by China's entire political and economic conditions. They are useful supplements to our socialist economy and, in the final analysis, beneficial to socialism.

In the course of promoting market-oriented reform, we will also meet with many things that are neither "socialist" nor "capitalist" in nature, but reflect the law of modern socialized production, the law of the commodity economy, and the general practice of international economic exchange. An example is "bonded areas." Also, it seems to me that the shareholding system is neither "capitalist" nor "socialist." It may be regarded as a neutral thing that both capitalism and socialism can use. In dealing with such things, we should further emancipate our minds, and see whether or not they can help develop productive forces as a criterion to determine if we can use them in expediting the development of our socialist commodity economy.

To sum up, we should, from now on, stress the congruity between reform and opening up and adherence to socialist orientation. We should not view them as opposites. Only thus can we carry out economic construction more successfully, persist in making it our central task, and work wholeheartedly to ensure that it is really making headway.

#### Article Discusses Issues of Land Use Rights

HK0307062992 Beijing FAZHI RIBAO in Chinese  
1 Jun 92 p 3

["Study and Exploration" column by Du Feijin (2629 7378 6651) and Wu Yongmin (0702 0516 2404): "Several Questions Concerning Transfer of Land Use Rights With Compensation in the Course of Enterprise Merging"]

[Text] By merger of enterprises, we mean absorbing and merging enterprises according to the principle that the superior win and the inferior are eliminated, namely, in the course of merger by more than two enterprises, one of which becomes a remaining enterprise in the merged form after it absorbed (merged) the other enterprises. In China, merger of enterprises is an economic phenomenon which came into being in recent years following the continuous development of economic association, the incremental deepening of enterprise reform, and the gradual growth of a market system. It is also an effective form of revitalizing enterprises. Judging from the current development of enterprise merger practice in various localities, land holds a very important position in enterprise mergers. The reason that many enterprises have to merge with others is that their further development is seriously restricted by the limited area of land, so they try to obtain through merger the land of the merged enterprises in order to gain the space necessary for their further development. The transfer of land use rights with compensation in the course of enterprise mergers has both the general character of the ordinary transfer of land use rights with compensation and a specific character different from the ordinary one because it is not a pure transfer of rights, but one brought about by enterprise

merger. This article will explore several issues concerning the transfer of land use rights with compensation in the course of enterprise merger.

### **I. The transfer price of land use rights should be included in the transfer price of enterprise property rights.**

In any case of enterprise merger, the price of the merged enterprise's property rights should be reasonably assessed. In current practice, the transfer price of enterprise's property rights generally refers to the balance between the enterprise's net value of fixed assets plus creditor's rights and the enterprise's debts, namely, the price of property right equals net value of fixed assets plus receipts of creditor's rights minus debts. From this formula we may see that the current price constitution of merged enterprise property rights does not include the value of land use rights.

There are certainly many causes that bring about such a phenomenon as mentioned above. But the main cause is that the system of using land without compensation was practiced in China for a long time in the past. Land needed by various government organs and institutions was totally allocated by the government so that people simply did not think of land value as a special commodity. Now, reform has been carried out in China's land use system, and the original system of administrative allocation of land without compensation has changed to the system of using land with compensation. Land needed by all units and individuals is totally settled by way of transfer of land use rights with compensation. Moreover, the "Provisional Regulation on Sale and Transfer of State Land Use Rights in Cities and Towns of the People's Republic of China" also clearly stipulates: If any unit or individual who has obtained land use rights without compensation according to law through various forms, wants to transfer, lease, or mortgage the land use rights of their allocated land, and the proprietary right of the building on it and other attachments to it, should also pay to the local city or county people's government charges for selling land use rights or the profits gained from relevant transfer, leasing, or mortgage as a substitute of the said charges according to the stipulation. This tells us that when an enterprise, either having land use rights with compensation or without compensation due to previous administrative allocation, is merged with another enterprise so that the overall transfer of enterprise property rights is involved, then the land it uses must be transferred at a calculated price. In other words, the transfer price of land use rights must be included in that of the enterprise's property rights. Only by so doing can the transfer system of land use rights with compensation be put into practice in a comprehensive way.

### **II. Determination of transfer prices of land use rights with compensation.**

Including the transfer price of land use rights in that of enterprise property rights, means, then, that how to determine the transfer price of land use rights has naturally become the key issue. With regard to how to determine the transfer price of land use rights, some people suggest that a nationwide unified price be fixed. We feel that this is not

possible as well as not feasible. First, the level of land use rights transfer price is determined by comprehensive factors such as geographical position, years of use, requirement of plans, condition of infrastructure facilities, market situation of supply and demand, and the use of land, but the conditions of various localities in the country are greatly different. Even in the same city, conditions may not be completely the same in different lots and districts, therefore, it is absolutely impossible to fix a nationwide uniform price for transfer of land use rights. Second, the different forms of transfer of land use rights also decide that land use rights transfer prices cannot be uniformly fixed. As we all know, transfer of land use rights with compensation generally takes three different forms comprising auction, tender, and agreement, of which auction and tender are forms whereby transfer prices are fixed through competition, and by agreement, transfer prices are set through negotiation between the two parties. As the strength of competition by various forms of transfer is different, it is naturally very difficult to have uniform prices. Even if the same transfer form is taken, owing to the different subjective and objective conditions of the specific time and place, it is impossible to come to a uniform transfer price. In our opinion, the state may classify land into varying categories and grades, and stipulate their respective minimum transfer prices. There are three main factors which should be considered as the criteria for classifying land and fixing its grades: The level of development of infrastructure facilities, the use of land, and its geographical position. In light of the different levels of development, land is divided into several grades. As a higher grade means a higher land development level and better infrastructure facilities, its minimum price should be set relatively higher. Conversely, it should be lower. According to different uses, land can be classified into at least three categories of industrial, agricultural, and commercial uses. Generally speaking, land for commercial use has the advantages of short investment period, quick results, and good profits. Consequently, its minimum price should be higher than that of land for industrial and agricultural uses. On the contrary, agricultural land has the disadvantages of long investment period, slow results, and poor profits. In general circumstances, therefore, its transfer price should be the lowest. And the advantage of industrial land just stays in the middle, so its minimum transfer price should be set between the two accordingly. Since the varying geographical positions have an important impact on the development and use of land, we should give full consideration to this factor when we specifically determine the transfer price of land use rights of various categories and grades.

It should be pointed out that land use rights transfer prices defined according to the above method of different categories and grades can only be the lowest price standard, and, in order really and reasonably to determine the transfer price of every piece of land, it is necessary to introduce market mechanisms in the land use rights with compensation and establish an urban land market in China. We maintain that the establishment and development of an urban land market as a place for urban land transactions and the total exchange relationship are aimed at theoretically recognizing urban



land as a commodity. Under this precondition, we should act according to the law of value, really bring the urban property industry into the socialist market system, and change the previous practice of land allocation without compensation to the use of land with compensation. To this end, it is necessary to uphold the principles that the state ownership of urban land remains unchanged, urban land proprietary rights are separate from its use rights, and a planned scientific management system is practiced in the urban land market, and the principle of competition. In the meantime, we may consider setting up an urban land market model in our country composed of markets at three levels: 1) First-level market. It refers to suburban land taken over for use by the city government or its entrusted organs in the name of the state. This kind of transaction is monopolized by the state and no individual or unit is allowed to carry on such transactions. 2) Second-level market. It refers to dealing or leasing of land use rights carried out between the land owner (city government or its entrusted organs) and the land user (government body, enterprise, institution, or individual). 3) Third-level market. It refers to transfer of land use rights with compensation between one land user and another, which can be conducted between units, individuals, or unit and individual. The above mentioned third-level market is directly related to the transfer of land use rights with compensation in enterprise merger. So long as the third-level market in which transfer of land use rights carried out between land users is really developed and perfected, then the rational determination of transfer prices of land use rights in enterprise mergers will be readily solved. Moreover, it is necessary to point out that as the establishment and development of an urban land market is an arduous and complicated task involving a lot of problems, we should actively create conditions to speed up reform of the land management system to step up cultivating and managing the urban land market; proceed to protect the development and perfection of, and the full and positive role played by, the urban land market; ensure that the urban land market is subject to necessary management and supervision; guard against the occurrence of overly speculative phenomena; and restrict to a minimum the negative factors which may emerge because of the setting up of the urban land market.

### III. The register of transfer of land use rights with compensation.

Land use rights are regarded as immovable property rights and, according to the legal nature of immovable property rights, changes of rights should be registered as stipulated by laws in various countries. The State Land Administration Bureau promulgated special "Regulations on Land Registration" in 1989, stipulating the question of registering the change of names for state land use rights. Clause 25 of the "Provisional Regulations on Sale and Transfer of State Land Use Rights in Cities and Towns of the PRC" prescribes: "The transfer of land use rights and proprietary rights of buildings on it and attachments to it should be subject to registration procedures in accordance with the stipulation. The separate transfer of land use rights and proprietary rights of buildings on it and attachments to it

should be subject to approval of the land and property administrative departments of the city or county government, as well as to registration procedures in accordance with the stipulation." According to this stipulation, when transfer of land use rights is involved in enterprise mergers, it is necessary to go through registration procedures, and the rights holder can only formally enjoy his rights after the name change registration is conducted. Besides, there is a problem which often crops up in the course of enterprise merger, namely, after the merger, changes will take place in the use of land of the merged enterprise as a result of the merging enterprise's rearrangement of the use of land in line with its operational requirements. In case the condition of changing the use of the transferred land should really occur, under the relevant stipulations of the above "Provisional Regulations on Sale and Transfer of State Land Use Rights in Cities and Towns of the PRC," the land user (i.e., the merging enterprise) should ask for consent of the transferer (i.e., the land administrative department of the city or county government of the merged enterprise) and for approval of land administrative and city planning departments, resign a sale contract of land use rights according to relevant provision of the regulations, adjust the charges for selling land use rights, and go through the formalities of registration. Without going through the registration formalities in accordance with the law, the process of enterprise merger will not be completed.

### Article Views National Income Distribution

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[Article by Liu Haihua (0491 3189 5478): "Study on Question of 'National Revenue Distribution Leaning Toward Individuals'"]

[Text] The economic system reform has been carried out for more than a decade. How is the national revenue distribution pattern today? What changes have taken place since then? Is the national revenue distribution leaning toward individuals? All these questions have drawn much attention in society. We believe it is necessary to fully investigate and verify these questions. Only in this way can we have a clear understanding and draw correct conclusions from the facts and provide a sound basis for the formulation and adjustment of our macropolicy decision.

### I. Rationality of Changes in National Revenue Distribution Pattern Since Reform, as Seen From the Objective and Original Intention of Economic Reform

China's economic system reform is a process of developing and perfecting its socialist system. This reform's purpose is to show the socialist system's vitality and give full play to its superiority. The original intention of this reform is clear and definite, i.e., to transform the planned economy's original single-mode, over-centralized, and rigid system into a new one. The new system will bring into full play the initiative of the central and local governments, enterprises, and individuals. This new system should be a combination of macro-control and microadministration by different levels as well as a combination of planned economy and market regulation. This new system should suit the socialist commodity

economy's needs. A reform with such an original intention is bound to bring about many changes to the national revenue distribution pattern, such as the transformation of the state fiscal function, the contracted financial responsibility system at local and central government levels, the contracted responsibility system of profit and profits tax delivery practised in the distribution relations between the state and enterprises, the association of production with performance, the "onerous loan" instead of the free fund allocation and gratuitous investment of the state to enterprises, etc. All these changes have undoubtedly brought about significant changes to the national revenue distribution pattern, that is, a decrease of the central government revenue in proportion to the national revenue and an increase of the revenue of local governments, enterprises, and individuals. However, these changes are in keeping with the objective of our economic system reform and serve the needs of the transformation of government function and of the establishment of the order for commodity economy. Therefore, to say the distribution pattern is rational or not, first of all, we have to see whether it has promoted the transformation of government functions or the establishment of the order for commodity economy in the reform. To whom it should tilt or how much it should tilt must depend on the responsibility, right, interest, and acting mode of each acting entity in the commodity economy. We should not state in very general terms who has more or who has less. Some people are simply comparing the proportion of the national revenue distribution today with that of 1978, seeming to say that only that proportion is reasonable. From their point of view, the tilting to individuals at present is unreasonable. First, we must be clear that the distribution pattern in and before 1978 was the outcome of the over-centralized, rigid planned economy system and that we have repeatedly and explicitly stated since the reform that this distribution pattern must be abolished. Second, the practice of multilevel decision-making, power-decentralization, and interest entity pluralization since the reform would inevitably result in the revenue increase of local governments, enterprises, and individuals in particular. However, this change has brought about new vigor and vitality to our national economy's development. Third, what are the criteria of the tilt? Tilt is the opposite of balance. If we say that the distribution pattern today is tilted, what do the balanced and rational patterns look like? What is the demarcation line between tilt and balance? If we fail to give a clear answer to these questions, we are not in a position to correctly handle the "tilting." This may lead to policy deficiency or even to retrogression and ruin our reform's achievements.

## II. Is the Present National Revenue Distribution Pattern Tilting Toward Individuals?

Now let us discuss the question from the following five points:

### 1. From the wage income of the staff and workers.

The wage distribution of staff and workers is not only an important part of national revenue distribution but is also mainly a component of the residents' individual incomes.

The relationship between wage and national revenue distribution can reflect from one side whether the national revenue distribution pattern is rational or not.

Since the reform of more than a decade, the average per capita wage income of staff and workers has increased from 615 yuan in 1978 to 2,140 yuan in 1990. After adjustment for rises of living costs, the actual annual increase is 3.8 percent. This rate is considerably high as compared with those of the first three decades since New China's founding. However, this increase is largely of a debt repayment nature. Since the PRC's founding, we have implemented a policy of "high accumulation, low consumption and low wage income, high employment" under which the wages of staff members and workers have long been frozen. The average annual increase was only 0.38 percent in a time of 26 years from 1952-1978, 14 years of which saw a negative increase. We cannot say this situation is normal. After the economic reform, the principle of material interest was again affirmed and radical changes took place in interpreting the socialist principle of distribution—"to each according to his work." Payment for labor is now gradually associated with the workers' workload. The curve of the wage increase has begun an upturn. We are now out of the vicious circle. It is true that there have been great changes in the composition of the wage income and that new circumstances and new problems have come into existence. But in general, the wage increase of staff and workers since the reform is based on the improvement of productivity and the national economy's development. The wage increase rate is lower than the developing speed and its proportion remains relatively stable in national revenue. In the last 12 years, the proportion of the increase of total wages to that of the national revenue is 0.89:1 (the total amount of the actual wage increased 7.3 percent annually; national revenue increased 8.3 percent annually). The proportion of the increase of the actual average wage income to that of labor productivity is 0.75:1 (the actual average wage income of staff and workers increased 3.8 percent annually; labor productivity increased 5.5 percent annually). The total wages of staff and workers take up about 19 percent of the national revenue. All this shows that there is no "tilting" to individuals in the wage distribution for staff and workers.

### 2. From the distribution relationship between state, enterprises, and individuals.

Taxes from enterprises is the most important part of the national revenue. The distribution relations between the state and enterprises is also the most important factor determining the national revenue distribution. Therefore, to analyze the national revenue distribution's rationalness, we must study the changes of the distribution relations between the state and enterprises.

Profound changes have taken place in the distribution relations between the state and enterprises since China's economic restructuring. Their chief characteristics are: Coping with the demand of the socialist commodity economy, enterprises have gradually turned themselves from the subsidiaries of state administrative organs and the objectives of state control over revenue and expenditure in the past into independent commodity producers which

carry out self-deciding operations, assume sole responsibility for their own profits and losses, and practice self-development and self-restrictions. The state used to take all the profits from enterprises, but now both the state and enterprises have their share of the profits. Enterprises are now to practice the contract responsibility system and they are asked to pay taxes instead of the profits or to pay tax plus a percentage of profits to the state. The state used to bear all the production costs, but now it only lends money to enterprises and enterprises have become the chief investors of their fixed assets. With the legal status affirmation and the function transformation of the enterprises, corresponding changes are bound to happen in distribution relations between the state and enterprises. As the assets owner and social affair manager, the state will take its deserved share of the profits from enterprises. Enterprises will retain the rest for their normal or extended reproduction. In the course of function transformation and the formation of a new distribution pattern, the original gain for the state is getting less while that for the enterprises is getting more. According to Ministry of Finance statistics, the gain of the state, the enterprises, and the individuals in 1979 showed a ratio of 78:2:20. But in 1990, the ratio became 51:14:35. The state's share decreased 27 percent while the enterprises' and the individuals' increased 12 and 15 percent respectively. As the chief investors of their own fixed assets, enterprises have to spend money in this investment. Besides, they also have to pay the interest for the state loans (the interest is paid to the state bank and then turned over to the state). After deducting the above two costs, the share increase of enterprises is less than 12 percent. Even if it is 12 percent, it is still not worthy of the enterprises' present function, responsibility, and authority. The profits retained by the large and medium state-run enterprises remain at a very low level. According to the investigations of departments concerned, many large and medium enterprises retained only 8-9 percent of their net income. The highest was 20 percent. Enterprises can accomplish neither the mission of updating technology nor the task of extended reproduction. Some even have difficulties in maintaining simple reproduction and many are even in debt. In 1990, we investigated 100 enterprises of 10 different types in Hebei Province. All of them complained about the small portion of the retained profits. Take the machinery and chemical industry for example, the retained profits take up only 11-12 percent of the total. The light industry's annual profits in 1989 were 13,109,400 yuan. However, the annual interest they paid for the loan was up to 15.56 million yuan. If things go on like this, the existence and development of large and medium enterprises would be seriously jeopardized. Last year's central working conference adopted 12 measures to strengthen large and medium enterprises. It accentuated the importance of creating a relaxed atmosphere for the enterprises, reducing taxes, and lightening their load. This correct policy will undoubtedly produce a new and great impact on the distribution relations between enterprises and the state. It is an unavoidable trend that the share for enterprises is growing larger. This change will also make more rational the distribution relations between the state and enterprises. For this reason, it is absolutely necessary to make a proper

"tilting" to the enterprises in the course of forming a new national revenue distribution pattern.

### 3. From bank savings.

Today, the total amount of savings deposits in both urban and rural areas has increased from 39.95 billion yuan in 1980 to about 800 billion yuan. If we add to it the spot cash and negotiable notes, this figure can be more than 1,000 billion yuan, almost equal to the original value of the fixed assets of all the state-run enterprises. Can we then conclude that the national revenue distribution is excessively tilting to individuals? Of course not. This conclusion is rather too sweeping and we believe a concrete analysis of this problem is highly necessary.

First, total bank savings in both urban and rural areas is largely composed of the following three parts: The bank savings of the town and city residents, the bank savings of the peasants and the bank savings of nonresidents, and the public money deposited in private names. According to the sampling investigation of 35 large cities made by the national statistics bureau, the bank savings of town and city residents is 242 billion yuan, 32 percent of the total; that of the peasants, accounting for 79 percent of the nation's population, is 200.5 billion yuan, 27 percent of the total; of the nonresident, 15-20 percent. From these statistics, we can see that not all the savings deposits are what we generally name bank savings of the residents. About 20 percent is public money deposited in private names. Part of the savings of the peasants and 25 percent of the savings of the self-employed workers will be used for production or management funds. They should be deducted from the total savings, since they do not fall into the category of individual consumption funds.

Second, savings deposits are unevenly distributed. First of all, let us look at different social layers. The self-employed workers of less than 5 percent of the nation's total population have 26 percent of the total bank savings. To say that there are four people in each family, the average household savings deposits of the self-employed workers are about 14,000 yuan, 13 times the average savings deposits of a peasant family and 3.9 times town and city residents. We once investigated the financial assets—individual savings, spot cash, and negotiable notes—of staff and workers. The investigation can equally prove that, even among the staff and workers, savings deposits are still tilting to a few people. In May 1991, the average per household financial assets of staff and workers was 1,868 yuan (a figure self-assessed in the sample survey). Fifty-eight percent of the total financial assets are now in the hands of 17.45 percent of staff and workers' families with average per household financial assets of 3,000-10,000 yuan. While the financial assets of the other 82.54 percent households account for 42 percent (the average per household financial assets are under 3,000 yuan). From different ownerships, we can see that the highest household financial assets are that of the staff and workers employed in the foreign or joint-venture enterprises, and the lowest is that of the staff and workers in collective enterprises. From the overall view of the families

of the staff and workers, 57.2 percent of the households have little money left, while only 0.3 percent of the households say they have more money.

Third, savings deposits in urban and rural areas at present are still at a low level. The average per capita bank saving is 391 yuan. The increase of the savings deposits is in keeping with the increase of the total GNP. It makes up 6.3 percent, 8.5 percent, and 10.8 percent of the total GNP in 1986, 1989, and 1990 respectively. So we can see the proportion of this increase is rather stable.

Fourth, the rapid increase in savings deposits has not resulted in the increase of consumption funds, showing that the residents' consumption customs are quite rational. The money deposited into banks is largely getting into reinvestment instead of flowing into consumption.

Though we are still in need of accurate and authentic statistical analysis on problems such as the source of bank savings in urban and rural areas, the distribution of the social layers, the interest income, etc., we can conclude from the present situation that the savings deposits are tilting to a minority of the high-salaried group or strata.

#### 4. From the living standards.

The increase of the living standard of the staff and workers is an important basis for us to see whether the national revenue is tilting to individuals.

The average per capita annual income of the staff and workers in 1990 is 1,522.79 yuan, a 302.64 percent increase over 1978. After adjusting for the rise of living costs, the average real growth rate is 5.08 percent annually, much faster than the 2.6 percent average increase in the three decades just before the reform began. However, in the last 12 years, the growth rate of their living standards from 1981 to 1985 is 5.8 percent. But from 1986 to 1990, it fell to only 2 percent. Especially from 1987 to 1989, about half of the staff and workers' families were influenced by price inflation as well as the decline of the enterprises' economic benefits. Many families enjoyed less wage income and their actual living standard was lowered. According to the General Labor Union's 1991 investigation, 9.4 percent of staff and workers' families could not make both ends meet. In Sichuan Province, departments concerned once questioned 1,000 families in 10 cities such as Chengdu, Chongqing, Zigong, and Panzhihua. They found that about 12.5 percent of the families were in debt. As some of the enterprises were shut down or partially shut down, many affected families only had 50 percent of their original wage income. Supposing there were three people in each family, the average per capita income was less than 70 yuan. Prices went up rapidly in the last few years, and it was really something hard for the low-wage income families to bear. The allowance always lags behind the increase of real spending. In 1988, as prices of subsidiary food, such as meat and eggs, went higher and higher, each resident was granted a dearth allowance of 10 yuan each month, but the increase of actual spending was 13.03 yuan. The allowance was only 76.75 percent of the actual increase. Last year, the price indexes remained high in some large cities. Some were even as high as 10 percent, thus seriously affecting the living

standard of the staff and workers. Besides, as various regulations came into being in the name of reform in these years, staff and workers were asked to bear heavier financial burdens. It is estimated that the money they have to spend in the three reform programs, such as endowment insurance, medical insurance, and housing, constitutes 6-7.5 percent of their living costs. Moreover, as staff and workers are often arbitrarily made to pay unjustified financial levies and fees in sending their children to school, seeing doctors or changing jobs, they have to spend an extra amount of their income, thus making their financial burden even heavier.

Therefore, the increase of their living standard should not be overestimated. According to the data in 1989 from the national Statistics Bureau, the surplus rate of town and city households was 3.9 percent. From the overall average standard, we can say that they have only a slight surplus and a fairly large number of families have difficulties even in maintaining a living.

From the above analyses, we believe that the actual living standard of staff and workers should be improved each year on the basis of expanding production. We should give adequate consideration to their financial endurance in furthering the reform. For the part that involves individual financial burdens, we may follow the principle of "amending first, reforming second." We cannot make unrealistic policy adjustments by assuming in general terms that national income distribution is oriented to individuals.

#### 5. From the ratio between accumulation and consumption in national expenditure.

As mentioned above, our country adopted the policy of "high accumulation and low consumption" in the last three decades just before the economic reform. Although the profit sharing system has changed greatly since the reform, the accumulation rate remains very high. From 1978 to 1988, the average rate of accumulation was as high as 32.62 percent. On the one hand, this shows that the scale of the fixed capital expenditure is too high, and on the other, that the increase of consumption fund is too low. The proportion of consumption fund is on the low side in national expenditure. Now the problem we have is not the consumption fund's inflation but the high proportion of accumulation. If things go on like this, we can not avoid falling again into the same old trap of "high accumulation." This also proves that the residents' proper increase of money income has not resulted in the improper increase of consumption but promoted accumulation.

From the above analyses we can see that it does not hold water to conclude that the national revenue distribution is tilting to individuals. With our national economy's further development, we shall undoubtedly continue our efforts to improve the living standard of staff and workers. We should have a concrete analysis of problems such as to whom and to which social group the national revenue distribution is tilting and what are the ways and channels of this "tilting." We should also analyse the problems of how to avoid the losses and leaks in the national revenue distribution on the basis of the present systems and existing policies and of how

to readjust and formulate our laws and regulations concerning individual income distribution to "protect lawful income, regulate excessively high income, and abolish fraudulent gains." We must be sure that our policies, regulations, and systems will not dampen the masses' enthusiasm in their honest labor and lawful operation but avoid the extreme of wealth.

### III. On the Analysis of the Excessive Tilting Toward the High Income Group and the Losses and Leaks in National Revenue Distribution

After 12 years of economic reform, great changes have taken place in our national revenue distribution pattern and the new pattern is now coming into being. We are now in a transition period from the old system to a new one. The order of commodity economy is just in its formation and far from being perfected, while the old distribution policies and the original regulating and controlling methods fail to function, thus resulting in oversights and omissions in our policies. These oversights and omissions lead to the deviation from our policy of "allowing some people to prosper earlier than others." Those who should be rich are not rich and those who should not be rich are rolling in wealth. Moreover, we are now in a state of "measurements before policies," leading to losses and leaks in our national revenue distribution. In general or on the average standard, we cannot say the national revenue distribution is tilting to individuals. But in some areas it has become a very serious problem.

#### 1. There does exist a high income bracket after the reform.

(1) Some people abused power for their personal gain and did whatever they wanted in the fields of economy and others. They engaged in profiteering either in public or private names and traded power for money, thus amassing an untold wealth. According to the calculation of some scholars, the variance in price amounts to 400 billion yuan each year due to the dual price system in material, fund, and foreign exchange. Forty percent of this amount has been in the pockets of those who have countless ties linking closely with power. No wonder some people said that there is "a black economic wave in China."

(2) Some self-employed workers, private entrepreneurs, interlopers, and market-brokers also amassed a large amount of money through illegal operations such as cheating and tax-evasion. For instance, a handful of the black-market cigarette smugglers in Beijing have piled up hundreds of thousands of yuan in a number of years. They have high-grade consumption articles, such as private cars and mobile telephones, which are what the staff and workers in China could never afford through their honest labor.

(3) The high income of the free-lance actors or actresses has also become the focal point of people's talk. These actors or actresses give performance in their spare time and charge extremely high rates. The charge of singing a song would be as high as 5,000 yuan (after taxation). Leaving aside the legality of this income for the moment, such excessively high income has in fact left a very strong impression of inequities in society.

(4) Foreign or joint-venture enterprise employees also enjoy very high earnings. The wage income of staff and workers in state-run enterprises is a far cry from that of waiters and waitresses in joint-ventures. Young men with a couple of years working experience would enjoy a much higher pay than the staff and workers with several decades of working experience. Some public officers of government sectors began to take positions in the joint-venture enterprises, and to their surprise, they found their salary increased several hundred yuan overnight. As a result, more and more staff and workers want to give up their positions in state-run enterprises and find a job in a foreign or joint-venture enterprise.

In addition, there are people of various kinds that belong to this high income bracket. According to the investigation in Shanghai, there are about 30,000 returned students in the city. Most of them have saved up a large sum of money while living and working in foreign countries. In Shanghai, there are about 2,000 "gold-diggers" at present. They are frequent visitors of the stock and stamp markets. They engage in speculation and profiteering in stocks, bonds, stamps, etc. They have a sizable income and outcome in their operations.

Though these high-income earners form only a very small portion of the nation's population, their personal wealth brings out a sharp contrast to that of the people in the field of "to each according to his work," thus causing strong discontent among the masses. The adverse demonstration effect of this kind would produce a considerable influence on the people's mood, value, and consumption behavior. The impact caused to society by the rapid flow of social wealth into the hands of a small number of people is self-evident. We suggest that a practical and realistic investigation be carried out promptly on China's social distribution situation, especially on the source, channel, and state of those high incomes, thus helping us form corresponding policies to prevent a further "tilting" of this kind.

#### 2. On the analysis of the losses and leaks in national revenue distribution.

It is generally recognized that individual income has been diversified since the reform. Staff and workers not only have their regular wage income but also get other money income or payment in kind from their working units in this or that name. Besides, they can get extra income from other social channels for their own labor services or techniques.

You may wonder how much money or income in kind has been received by staff and workers from their working units. Here is the All-China Federation of Trade Unions' investigation on this matter. In February 1991, the average per capita income in kind of state-run enterprises was 69.09 yuan; of collective enterprises, 52.31 yuan; and of foreign or joint-venture enterprises, 84.38 yuan. The average per household income in kind was 93.65 yuan. In April, the average per household income in kind was 24.35 yuan. In accordance with this calculation, the average per capita annual income in kind was 345 yuan, about 15 percent of a person's total income. Other money incomes are very much the same. The general characteristic of this income is

multichanneled and of different approaches. Though there is a great discrepancy from unit to unit, it is not known in other units. Moreover, this discrepancy has nothing to do with the units' economic performance. As for the merits and demerits of the increase of this income, we can not simply say "yes" or "no." First of all, it has eased the psychological pressure of the staff and workers as it is brought to bear on them by the rising prices and the inequity in social and occupational distributions. Then, it has facilitated the living of the staff and workers and increased the cohesive force of the enterprises and units. Nevertheless, its demerits are also rather obvious. It is a tremendous shock to the distribution principle of "to each according to his work." It has led to income losses of enterprises and the state. Besides, its irregularity and nontransparency have made many loopholes in management.

To sum up: Whether or not the national revenue distribution is tilting to individuals has become a major issue that affects the overall situation. We should neither estimate the problem partially and unrealistically from certain phenomena nor lower our guard for a moment in plugging the loopholes where the perfection of our system, mechanism, and policies is concerned.

### **Suggestions on Limited Liability Companies**

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["Text" of the "Suggestions Regarding the Norms of Companies With Limited Liability" issued by the State Commission for Restructuring the Economy on 15 May]

[Text] Beijing, 21 June (XINHUA)—

#### **Chapter I. General Principles**

Article 1. A company with limited liability (hereafter known as company) refers to a business entity whose capital is shared by two or more shareholders, with each shareholder shouldering limited liability to the company to the extent of one's subscribed capital amount, and whose total assets are liable for its debts.

Article 2. A company must abide by the laws and regulations of the state, as well as these regulations on its norms (hereafter known as norms); defend the interests of the state and public; and accept legal supervision from relevant government departments.

Article 3. A company's legal rights and operations are protected according to law, and no units, organizations, and individuals are permitted to violate or illegally interfere with them.

Article 4. A company should formulate its regulations in accordance with these norms. The company's regulations have a binding power over the company and its shareholders.

Article 5. A company should operate its business within the scope of business approved by authorities concerned.

Article 6. A company is not allowed to become an unlimited shareholder of other economic organizations. When a company becomes a limited shareholder in other economic

organizations, the total investments in these organizations shall not exceed 50 percent of its own net assets. Investment companies and holding companies approved by departments authorized by the government are not subject to this restriction.

Article 7. The name of a company should clearly indicate the words "company with limited liability" or "limited company" and should meet the provisions for the registration and regulation of business-entity names.

A company not established in accordance with these norms cannot be called a "company with limited liability" or "limited company."

Article 8. The location of a company's main office shall be the company's address.

#### **Chapter II. Conditions and Procedures for Establishment**

Article 9. A company cannot be formed unless it has more than two and less than 30 shareholders. In case of special needs, a company can have more than 30 shareholders if approved by departments authorized by the government. However, the company cannot have more than 50 shareholders.

Article 10. The registered capital of a company is the total capital amount to be shared by its shareholders.

The registered capital of a company should be in line with the regulations governing the minimum amount of capital and compatible with the scope of its business. The minimum limit of the registered capital of a company is as follows:

1. For a production or management company, the minimum limit is 500,000 yuan.
2. For a commercial or material wholesale company, the minimum limit is 500,000 yuan.
3. For a commercial detail company, the minimum limit is 300,000 yuan.
4. For a scientific and technological, consulting, or service company, the minimum limit is 100,000 yuan.

If the state has regulations requiring a higher amount of capital for special enterprises, the state's regulations rule.

The registered capital of a company in ethnic minority areas, autonomous regions, and poverty-stricken areas confirmed by the State Council can be 50 percent less than the minimum amount stipulated in this article.

Article 11. The total amount of a company's shares is the total amount of money paid by all shareholders. The total amount of a company's shares should be subscribed in full by its shareholders at any time.

Article 12. Shareholders may contribute equity in the form of currency, and they may contribute in kind in the form of goods, industrial rights, nonpatent technologies, and land use rights.

The minimum amount of equity to be contributed in the form of currency by the entire shareholders shall be 50 percent of the minimum amount of the company's registered capital required by law.

Equity contributed in kind should be buildings, equipment, and other materials necessary for the company's production and operation. In addition, a qualified assets appraising office should be entrusted to appraise the value of the assets contributed. The value of the equity contributed in kind may be determined by shareholders in accordance with the relevant state regulations, provided that the amount is not very large. When state-owned assets are used for equity participation, the results of the appraisal shall be evaluated and verified by the administrative department in charge of the state-owned assets.

The amount of equity contributed in the form of industrial rights and nonpatent technologies shall not exceed 20 percent of the company's total registered capital. In extraordinary circumstances when the amount must exceed 20 percent, the case should be approved by the department in charge of the approval of the company. The amount of equity contributed in kind shall not exceed 30 percent at the most.

Shareholders should follow the relevant regulations of the state when using land use rights for equity participation.

Article 13. Equity contributed by shareholders must be verified by a certified accountant approved by and registered with the state. When equity involves state-owned assets, its ownership should be verified by the administrative department in charge of the state-owned assets.

Before the company is registered, shareholders should deposit all equity in the form of currency in the company's temporary account and go through the transfer procedures for equity contributed in kind. Equity in forms other than currency should be verified by the relevant assets appraising office. In cases when the appraisal is improper, an authorized government department may order the assets appraising office to conduct a reexamination.

Article 14. A company's charter should be drawn up and adopted with the unanimous agreement of all shareholders.

The following should be clearly stated in the company's charter:

1. Its name and address.
2. Its scope of operation.
3. Its registered capital.
4. The names and addresses of its shareholders.
5. The rights and obligations of its shareholders.
6. The form and amount of equity contributed by each shareholder and the payment deadline.
7. The conditions for transferring equity by shareholders.
8. The methods used in distributing profits and sharing losses.
9. The number of board members and the methods used in electing board members.
10. The company's legal representative.
11. The composition, functions and powers, and rules of procedures of company organs.
12. The causes for terminating the company.
13. The procedures for revising company charter.
14. The date of making the company charter.

15. Other matters which all shareholders deem necessary to stipulate.

Article 15. The setting up of a company should be approved by the department authorized by the province, autonomous region, or municipality where the company is to be located. The entire shareholders should designate a shareholder to handle the application procedure in accordance with the stipulated procedures.

A letter of application must be submitted to the authorized government department when setting up a company and the following documents should be attached to the application:

1. A feasibility study report or business plan.
2. The company's charter.
3. Credit proof.
4. Other documents required by authorized government departments.

In examining and approving the establishment of a company, the authorized government department shall determine the company's supervising government department based on the nature of the company's primary business.

Article 16. Once approved by an authorized government department, the entrusted shareholder should register the company with the local administration for industry and commerce in accordance with the "Regulations of the People's Republic of China Governing the Registration of Enterprise Legal Entities" and the State Administration for Industry and Commerce's provisional regulations governing the registration of joint-stock enterprises. Once it is registered and has received the "enterprise legal entity's business license," the company is established and assumes the status of a legal entity.

Article 17. A company may set up subsidiaries. Subsidiaries must be approved by the original authorized government department, registered with administrations for industry and commerce, and issued business licenses. Without the status of a legal entity, a subsidiary may independently engage in production and operations, and its civil responsibilities should be assumed by its parent company.

Article 18. After registration, a company should sign and issue certificates to its shareholders proving the amounts of capital they have paid up.

Each certificate should contain the following items:

1. The company's name.
2. The company's registration date.
3. The company's registered capital.
4. A shareholder's title or name and its pledged share of the capital.
5. The status of the examination of the paid-up amount of capital by a pertinent organ.
6. The amount of capital paid by the shareholder and the date the money was paid.
7. The certificate's issue date.
8. The company's seal.



### Chapter III. Shareholders and Shareholder Meeting

Article 19. Shareholders are those who provide capital for a company. Unless specifically banned or restricted by the state, any government department or organ which has the power to invest on behalf of the state, enterprise legal entity, institution or social organization with the status of a legal entity, or a natural person can be a shareholder to a company under these norms.

Private companies formed by natural persons or private enterprise legal entities should also observe state regulations concerning private enterprises.

When natural persons or private enterprise legal entities invest in nonprivate companies, the extent and ratios of their investments will be governed by pertinent state regulations.

Article 20. Each shareholder enjoys the following rights:

1. To attend or appoint a representative to attend the shareholder meeting and enjoy a voting right in accordance with the share of capital it has paid.
2. To know the company's operational and financial status.
3. To elect or be elected to the board of directors or the board of supervisors.
4. To obtain dividends or relinquish their share of capital in accordance with laws, regulations, these norms, and the company's constitution.
5. To have priority in buying the share of capital relinquished by other shareholders.
6. To have priority in subscribing to the company's additional registered capital.
7. To share the company's residual assets in accordance with the law after the termination of the company.
8. To enjoy other rights prescribed by the company's constitution.

Article 21. Shareholders have the following obligations:

1. To hand in the amount of capital which they offer to share.
2. To bear responsibility for the company's debts according to their shares of the capital.
3. Not to withdraw their shares after the company completes registration with the industry and commerce administration.
4. To commit to other obligations prescribed in the company's constitution.

Article 22. A company has the option to set up a shareholders meeting or not set up a shareholders meeting. If the company has a shareholders meeting, the shareholders meeting will be composed of all shareholders and is the highest unit of power within the company.

The shareholders meeting has the following powers:

1. To elect or recall members of the board of directors.
2. To elect or recall the shareholders' representatives in the board of supervisors.
3. To examine and approve the company's fiscal budget, final accounts, and profit distribution plan.

4. To decide on increase or reduction of the company's registered capital and on any shareholders' capital transfer.

5. To decide on the company's establishment of branches, merger, termination, and liquidation.

6. To revise the company's constitution.

7. Other powers stipulated by the company's constitution.

In a company without a shareholders meeting, the above matters shall be decided by all shareholders.

Article 23. The first shareholders meeting shall be convened by the shareholder who contributes the largest share of capital. The first shareholders meeting shall adopt the company's constitution and decide the company's leading body and other relevant matters.

The shareholders meeting shall be held regularly according to the stipulations of the company's constitution. A provisional shareholders meeting may be held at the suggestion by more than one-third of the members of the board of directors, shareholders, or supervisors.

The shareholders meeting shall be chaired by the chairman of the board of directors. If the chairman of the board of directors, for any special reason, is unable to perform this duty, he may ask a member of the board of directors to chair the meeting.

Article 24. Any decision of the shareholders meeting must be made with the consent of more than two-thirds of the shareholders and their total shares must exceed two-thirds of the company's total capital. However, the revision of the company's constitution should be made in accordance with the stipulations of Article 14, Section 1.

Article 25. In exercising their rights, shareholders and the shareholders meeting must not violate laws, regulations, these norms, and the company's constitution.

### Chapter IV. Board of Directors and Managers

Article 26. In a company with a shareholders meeting, the board of directors is the executive body of the shareholders meeting. In a company without a shareholders meeting, the board of directors is the company's highest unit of power.

Article 27. In a company with a shareholders meeting, the members of the board of directors are elected or recalled by the shareholders meeting. In a company without a shareholders meeting, the members of the board of directors are appointed by the shareholders.

The board of directors should have at least three members.

Article 28. The board of directors shall exercise the following functions and powers:

1. To examine and approve the company's development programs and the annual production and operation plan.
2. To decide the company's operational policy and establish its management body.
3. To approve the company's rules and regulations.
4. To hear and examine the manager's work report.
5. To examine the company's annual financial budget, final accounts, and profits distribution plan.



6. To draw up the plans for raising or reducing the company's registered capital, for setting up branches, and for the company's merger, termination, liquidation, and other important matters.

7. To hire and dismiss the company's managers, deputy managers, and other senior management personnel.

8. To decide rewards or punishments for the company's managers, deputy managers, and other senior management personnel;

9. Any other functions and powers stipulated in the company's constitution.

Article 29. The board of directors shall meet at least once every six months. A provisional meeting of the board of directors may be held at the suggestion of the company's manager or the suggestion of more than one-third of the members of the board of directors.

The meeting of the board of directors shall be chaired by the chairman of the board of directors. If the chairman of the board of directors, for any particular reason, is unable to perform this duty, he may ask a member of the board of directors to chair the meeting.

Article 30. Any decision of the board of directors must be made with the consent of more than one-half of the members of the board of directors, and a decision concerning Article 28, Sections 5, 6, and 7 must be made with the consent of more than two-thirds of the members of the board of directors.

Article 31. The board of directors, in exercising its functions and powers, must not violate laws, regulations, these norms, and the company's constitution.

Article 32. The chairman of the board is elected or recalled by the board of directors.

The chairman of the board exercises the following authority:

1. Convening and presiding over the shareholders meeting and the meeting of the board of directors.

2. Checking the implementation of decisions made by the shareholders meeting and the meeting of the board of directors.

3. Exercising other authority prescribed in the company's constitution.

Article 33. The company's manager hired by the board of directors is responsible for the company's day-to-day managerial work, exercising the following authority:

1. Organizing the implementation of decisions made by the shareholders meeting and board of directors meeting.

2. Drafting the company's development plan and its annual production and operational plans.

3. Putting forward the company's operational policy and management body plan.

4. Putting forward the drafts of the company's rules and regulations.

5. Putting forward the company's annual budget, final accounts, and profit-distribution plan.

6. Deciding on rewards and punishments for the company's employees with positions below deputy managers and other senior personnel.

7. Attending the meeting of the board of directors as a nonvoting conferee, with the right to request the board of directors to reconsider its decision.

8. Exercising other authority prescribed in the company's constitution.

Article 34. The board chairman is the company's legal representative. The company's constitution shall have provisions for occasions when the board chairman is unable to assume the role as the legal representative.

Article 35. Any of the following individuals shall not assume the office of board member or manager of the company:

1. One who is unable to or has been restricted in the exercise of his civil conduct.

2. The principal responsible member of the board of directors, company manager, or plant director whose enterprise has been legally closed or declared bankrupt because of violations of criminal law or mismanagement; this restriction remains in effect for three years, starting from the day when the deregistration of the enterprise was approved.

3. The former legal representative of an enterprise whose operating license has been revoked because of illegal operation; this restriction remains in effect for three years from the day when the enterprise's operating license was revoked.

4. An inmate who has been released after fully serving his sentence, a person whose parole or probationary period has expired, or a person who has been released from education through labor within the previous three years.

5. A person who has violated the criminal law and whose case is still being investigated by judicial authorities.

6. A person incapable of assuming an enterprise's leading office as prescribed by state laws, regulations, and policies.

Article 36. Members of the board of directors and company manager shall abide by the company's constitution, seriously conduct the company's business and protect the company's interests.

Members of the board of directors and the company manager shall not engage in outside-the-company activities that compete with the company or conflict with its interests.

Article 37. The company has the right to remove any members of the board of directors and managers from their posts and ask them to compensate company losses if they cause losses to the company through any of the following behavior:

1. Engaging in outside-the-company activities that compete with the company.

2. Intentionally violating the company's interests.

## Chapter V. Board of Supervisors

Article 38. A company may have a board of supervisors. The board of supervisors is a unit that supervises the company's operations. Its work shall be stipulated in the company's constitution.

Article 39. The board of supervisors shall consist of at least three members. Their term shall be stipulated in the company's constitution, and they may be reelected to serve another term.

Worker representatives (some of whom should be trade union representatives) shall account for one-half of the posts on the board of supervisors. They shall be elected and dismissed by the company's workers through a democratic vote. The rest of the members of the board of supervisors shall be elected and dismissed by the shareholders meeting. In a company without a shareholders meeting, they shall be appointed and removed by the shareholders.

Article 40. A company's board of directors, managers, deputy managers, and other senior management personnel shall not serve concurrently as members of the board of supervisors.

Article 41. The board of supervisors shall exercise the following functions and powers:

1. To send representatives as observers to board of directors' meetings.
2. To query and request replies on resolutions adopted at board of directors' meetings and decisions made by the chairman and company managers.
3. To inspect the company's operations and financial status.
4. To protect the legitimate rights and interests of shareholders and workers; to prevent the board of directors and company managers from violating laws, regulations, these norms and the company constitution—and if unsuccessful to report them to the relevant government organs.
5. Where necessary, to propose the convention of extraordinary shareholders' meetings.
6. Any other functions and powers as stipulated in the company constitution.

The board of supervisors should regularly report its work to the shareholders' meetings or to all the shareholders and workers.

Article 42. The board of supervisors can only pass resolutions with the approval of at least two-thirds of the board members.

Article 43. When the board of supervisors performs its functions and exercises its powers, it can appoint lawyers, certified accountants, independent auditors and other professionals to help, and the cost will be borne by the company.

Article 44. If a company's board of supervisors fails to live up to its obligations, thereby causing great financial loss to the company, the organizations which elected them shall have the right to dismiss them.

#### **Chapter VI. Financial, Accounting, Auditing and Workers' Wage Systems**

Article 45. A company should set up its financial and accounting systems according to stipulations of the state (Ministry of Finance during experimental period).

Article 46. A company should send reports to relevant government departments as stipulated by the Ministry of Finance and the State Auditing Administration, and copies to the economic restructuring departments during the experimental period.

The statement of accounts has to be verified by certified accountants.

Article 47. A company may set up its auditing system according to state provisions, and based on actual requirements establish the internal auditing organization.

Article 48. A company should file its tax returns, and pay taxes and other levies according to relevant state laws and regulations.

Article 49. When a company distributes profits, it should transfer 10 percent of after-tax profits to the statutory reserve fund, and 5 percent of after-tax profits to the statutory welfare fund. However, transfer to the statutory reserve fund will not be necessary when it has reached 50 percent of registered capital stocks.

A company may transfer undistributed profits to the randomly accumulated reserve fund after the board of directors adopts a resolution to do so.

Article 50. A company may not distribute profits until it has covered losses and made transfers to the statutory reserve fund and statutory welfare fund.

The portion of a company's profits that can be distributed should be distributed in proportion to capital paid up by shareholders.

Article 51. The statutory reserve fund may only be used for the following purposes:

1. To cover losses.
2. To increase capital stocks.
3. Any other purposes as stipulated by the state.

The statutory welfare fund should be used for the collective welfare of company workers.

#### **Chapter VII. Transfer of Share Holdings [chu zi 0427 6327] and Change of Registered Capital Stocks**

Article 52. Share holdings already paid up by a shareholder may be transferred. When a shareholder transfers his share holdings, it should be discussed and approved at the shareholders' meeting, if a company is set up with such; when a company is not set up with shareholders' meetings, the board of directors shall discuss and approve the transfer. When the shareholders' meeting disapproves of the transfer, or a consensus on the transfer cannot be formed among all shareholders, other shareholders should be allowed to buy the share holdings; if the shareholders' meeting or all the shareholders agree to the transfer, under similar conditions, other shareholders shall have the priority to buy the share holdings.

Article 53. Should a company wish to increase its registered capital, the matter shall be decided by a shareholders' meeting; where the system of a meeting of shareholders is

not established, the matter shall be decided by the company's board of directors. The shareholders shall have a priority right in purchasing shares from the newly added register capital.

When a company must reduce its registered capital due to special circumstances, permission for the reduction in its registered capital shall be granted only if no objection is raised by creditors 90 days after it has issued a circular and a public notice. The matter shall be decided by a shareholders' meeting and by a meeting of the board of directors if the company has not established a shareholders' meeting, and approved by a government-authorized department. After reduction, the company's registered capital must not be less than the minimum amount required by law and must be compatible with its scope of operation.

Article 54. If a shareholder wishes to sell his or her holdings and if a company wishes to increase or reduce its registered capital, its charter must be revised. The revision must be registered at the original organ where the company was registered and must be made public through public notice.

#### **Chapter VIII. Merging and Separation**

Article 55. With regard to company mergers and separations, the matter shall be decided by a shareholders' meeting and by a meeting of the board of directors if the company does not have a system for shareholders' meetings.

Article 56. Company mergers are divided into two forms—assimilation merging and new company merging.

Assimilation merging means a company accepts one or more enterprises, resulting in the dissolution of the admitted enterprise or enterprises and the cancellation of their corporate status and the continued existence of the admitting side.

New company merging means a company merges with one or more than one enterprises to form a new company, resulting in the dissolution of the original company or enterprises and the cancellation of their corporate status.

In company merging an agreement shall be concluded by the merging partners. Unpaid debts of the merging partners shall be undertaken by the company that results from the merger.

Article 57. Before separation, a company shall make a decision on how to undertake its debts. It must inform its creditors with a written document and sign an agreement on debt payments with them. A company shall not be permitted to separate if no agreement is reached through consultation by the company and its creditors.

Article 58. With regard to company mergers and separations, the matter shall be reported to a government-authorized department for approval. The merging or separation must be approved by and registered with an industrial and commercial administrative organ.

#### **Chapter IX. Operational Period, Termination, and Liquidation of Accounts**

Article 59. A company may clearly define its operational period in its charter. A company's operational period shall

not be less than five years unless approval is granted by an industrial and commercial administrative organ due to special circumstances.

The starting point of a company's operational period begins from the day it receives a legal operational license.

Article 60. If a company which already has a fixed period of operation wishes to extend that period, a proposal resolution shall be decided by its shareholders' meeting or a meeting of its board of directors. Six months before the expiration of its operational period, the proposal must be submitted to the original examination and approval department for approval and then to the original registration office for registration after having the old registration revised.

Article 61. A company shall be terminated if it meets one of the following conditions:

1. When the operational period stipulated by its charter expires or when the time for termination as stipulated in its charter is up.
2. When a meeting of shareholders or a general meeting of shareholders decides on its termination.
3. When it is dissolved according to law for violating state laws and regulations and endangering public interests.
4. When it declares bankruptcy.

Article 62. Where a company is terminated in accordance with items (1) and (2) of Article 61 of the norms, a liquidation organization shall be formed in accordance with the norms and relevant state regulations to carry out the liquidation of accounts.

Article 63. After a liquidation organization is formed, creditors shall be informed within 10 days in addition to a public notice. Creditors shall declare their right of claim to the liquidation organization within 30 days after receiving a notice, whereas those who have not been informed by a circular shall do so within 60 days after the public notice is issued.

Article 64. A liquidation organization shall exercise the following functions and powers during the liquidation period:

1. To liquidate the company's assets, and to prepare the assets and liabilities statement, as well as the inventory sheet.
2. To handle the company's unfinished business.
3. To collect the company's debts.
4. To collect subscriptions from shareholders who have not yet paid for their shares.
5. To settle tax-related matters.
6. To repay the company's debts, and to dismiss the company's employees.
7. To deal with the company's remaining assets.
8. To file for bankruptcy with the people's court when it finds that the company cannot repay its debts.
9. To represent the company in civil proceedings.

Article 65. After a company has decided to liquidate, it must not engage in activities unrelated to liquidation. Without

the prior consent of the liquidation organization, no one is allowed to dispose of the company's assets.

After settling the liquidation expenses, workers' wages and insurance premiums, tax arrears and company's debts, the liquidation organization should distribute the remaining assets in proportion to the capital contributed by shareholders.

Article 66. When liquidation is completed, the liquidation organization should submit a liquidation report, which consists of the statement of receipts and payments and all financial accounts accumulated during the liquidation period and verified by certified accountants or independent auditors, to the original examining department for approval.

Article 67. A company that is terminated under Article 61 Clause 3 of these suggestions should be liquidated according to relevant laws and regulations of the state. The liquidation provisions in these suggestions shall not apply.

A company that is terminated under Article 61 Clause 4 of these suggestions should be dealt with according to relevant provisions in the "PRC Enterprise Bankruptcy Law Trial."

#### Chapter X. Penalties

Article 68. The industry and commerce administration organ shall mete out administrative sanctions on a company committing any of the following violations in accordance with the relevant provisions:

1. Pursuing activities in the name of a company that has not been registered.
2. Giving false information at the time of registration or failing to register changes according to regulations.
3. Violating the particulars approved during registration, or exceeding the field of operations approved during registration, and engaging in illegal operations and activities.
4. Using methods, like breakups, mergers, and closures, to siphon off funds, conceal assets and avoid debt repayments.
5. Other illegal activities.

Article 69. The industry and commerce administration organ shall order a company committing any of the following violations to make corrections, and punish the company and its personnel responsible in accordance with the relevant regulations:

1. Becoming shareholders with unlimited liabilities in other economic organizations.
2. Becoming shareholders with limited liabilities in other economic organizations and the total value of these investments exceeding 50 percent of its own registered capital stocks.

Article 70. A company has the right to make a call for shareholders to pay up for the shares they had subscribed according to the provisions in these suggestions. A company can file civil proceedings against shareholders who fail to meet their obligations by paying up, and request that the people's court deal with them for breach of contract.

Article 71. When a company fails to submit reports to relevant government departments as stipulated in the provisions of these suggestions, the relevant departments can issue warnings to the company and penalize it and responsible personnel according to relevant regulations.

Article 72. A company that fails to file tax returns and pay taxes according relevant state regulations shall be dealt with by the taxation organs according to law.

Article 73. When a company and its responsible person concerned fail to make transfers to the statutory reserve fund and statutory welfare fund according to the provisions of these norms, the relevant government department shall, in addition to instructing it to make up the funds due, punish the company and its responsible person concerned according to relevant regulations.

Where a company distributes profits before it covers its losses and makes transfers to the statutory reserve fund and statutory welfare fund, the relevant financial or taxation organ shall, in addition to instructing the company to recover the amount owed to the funds, punish the company and its responsible person concerned according to relevant regulations.

Article 74. Where a company violates provisions of these norms governing use of the statutory reserve fund and statutory welfare fund, the relevant financial or taxation organ shall punish the company and its responsible person concerned according to relevant regulations.

Article 75. Where a company and its responsible person concerned find the punishment (not including administrative punishment for the relevant person concerned) unacceptable, they may submit an application to the organ at a higher level for reconsideration of the decision within 30 days of receipt of the decision of punishment. The organ that receives the application for reconsideration shall make a decision within 30 days of receipt of the application. If the company and its responsible person concerned find the decision reached after reconsideration still unacceptable, they may bring suit in the people's court within 15 days of receipt of the decision. If the company and its responsible person concerned do not bring suit or comply with the decision, the organ that decides on the punishment shall petition the people's court to compel enforcement.

With respect to violations of these provisions that constitute a crime, the judicial authority shall in accordance with the law pursue their criminal responsibility.

[No article 76 as received]

#### Chapter XI. Supplementary Provisions

Article 77. A company becomes a parent company when its holding of the shares of another company (enterprise) makes it the holding company of the latter. The other company (enterprise) becomes a subsidiary of the parent company. The subsidiary (enterprise) has the status of a legal person.

Article 78. Foreign-funded enterprises shall implement "The Law of the People's Republic of China on Chinese-Foreign Joint Ventures," "The Law of the People's Republic of China on Foreign-funded Enterprises," and "The Law of

the People's Republic of China on Chinese-foreign Cooperative Joint Ventures" instead of these norms.

Article 79. These norms shall be interpreted by the State Commission for Restructuring the Economy. Problems discovered by any company in the course of trial implementation of these norms should be solved through the coordination of the economic restructuring commission in the province, autonomous region, or municipality where the company is located. Local economic restructuring commissions should guide and supervise local companies in operating according to these norms.

[Issued by] the State Commission for Restructuring the Economy

[Dated] 15 May 1992

### **QIUSHI on Current Distribution System Problems**

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[Article by Ruan Chongwu (7086 1504 2976): "Some Analysis on Current Situation in Distribution System"]

[Text] Under the socialist system, working people are the owners, producers, and consumers of social wealth; distribution of consumer goods is carried out according to the principle of more work more pay and less work less pay, thus negating the age-old ruling class exploitation system of pay without work but according to power, land-holding, and capital. Distribution according to work is historically the most advanced form of distribution and is the fruit of victory of millions of revolutionists who have bravely sacrificed their lives.

Formerly, Marx, in "Critique of Gotha Program," conceived of a socialist society as one which solely owned the means of production; on the basis of a high degree of development of productive forces, the whole society is united into a joint body of free people, that is, united into a large production unit and distribution unit; commodities and currency would not exist; workers would, in accordance with the length of time they spent in work, obtain a certificate or coupon, and would, from the fruits of labor after deduction of the portion for compensation in reproduction and serving as contribution to society, directly obtain an amount of consumer goods corresponding to the volume of work they had contributed. This would be distribution according to work on the principle of "equal pay for an equal amount of work." However, China at the current stage is far from reaching such a high level of productive forces, various kinds of economic constituents are still in existence, enterprises under the system of ownership by the whole people still have to run autonomously and be solely responsible for their own profits and losses, and the planned commodity economy still needs to be greatly developed. In other words, the law of value is still in force. Hence, in units enforcing pay according to work, the form of its content and realization carries the special features of the initial stage of socialism: The distribution unit is not the whole society but the separate units; distribution is not based on the work time directly spent by the worker but on the actual amount

of work incurred in the course of the exchange of commodities while the distribution form is not the work certificate or coupon but monetary wages.

On account of the Chinese characteristics of the socialist economy firmly insisting on taking the system of public ownership of means of production as the main body but allowing the appropriate development of other economic constituents, it determines that the distribution form naturally takes distribution according to work as the leading factor and other distribution forms as supplements. This demands of us to firmly insist on the Marxist distribution principle as the basis, proceed from China's actual conditions, look for a whole set of wage distribution system and management method which takes enforcing distribution according to work as the leading factor. On the one hand, egalitarianism must be overcome, and on the other hand, division into two classes should be prevented, thus gradually realizing the common well-being of the whole people. In the following we shall present certain views on a number of problems concerning actual work at present.

#### **I. On Control of Total Volume of Wages**

Under the conditions of commodity economy, it is not possible on a societywide scope, and according to a unified social standard, to employ the form of work coupons to directly distribute consumer goods to the workers. In the course of actual distribution, the enterprise, as commodity producer and operator, sells its products in the market, obtains income, and thus provides the source of distribution of salaries and wages to the enterprise's staff members and workers. The labor provided by the enterprise's staff and workers must go through the stage of exchange of commodities and obtain the market's recognition. Hence, the enterprise must be subjected to the effects of various factors such as environment conditions (generation of grade-differences in benefits), fixed assets investment (different in the case of organic formation of capital), supply and demand relations, level of operation and management, and so forth. Among the enterprises, they must follow the rule of average profit rate and compete in a just and fair manner. Those enterprises which have performed well can obtain excess profits while those enterprises which have not fared well may incur deficits and be bankrupt. Inside the enterprise, distribution is made in the form of wages in accordance with the work done by the worker. On this basis, government regulates the interests of different industries and trades by means of economic, administrative, and legal measures.

At present, China's market mechanism has not grown in a healthy manner, prices have not yet been put in smooth order, movements of assets and the labor force are still rather difficult, factors of inequality in conditions of competition are many, society's average profit rate has not yet been truly formed, and it is relatively difficult for economic benefits among the enterprises to proceed in a horizontal direction. For this reason, at the moment, government cannot but directly intervene in the distribution inside the enterprise and must still carry out the necessary control over the total volume of wages.

In the enterprise's income (net output value), the amount of outlay on salaries and wages belongs to the realm of production costs and originally should be subjected to the enterprise's decision-making. Unfortunately, because of the liaison between the responsibilities and interests of representatives of state-owned assets not being close enough, the enterprises lack the motive force of self-consciously seeking value-increment of assets and realizing expanded reproduction by means of self-accumulation. For the sake of the interests of the moment, enterprises have frequently reduced their depreciation charges, cut down their allowances for development funds, and actually eaten up their original capital. Under the distribution structure of a prolonged state of "everybody eating from the same big pot," the state has been responsible for everything and the enterprises themselves have not been truly and solely responsible for their profits and losses, or rather, have borne only the profits and not the losses. In distribution, the enterprises lack a self-control mechanism. Under the pressure of mutual competition in wage benefits, they have frequently resorted to "short-term" acts. They would rather suffer losses or falsely report gains though actually having incurred losses. They would even go to the extent of violating financial regulations and seek by all means to protect and maintain the wages and bonuses of the staff and workers. This condition forms another reason why currently, regarding the growth in the total volume of salaries and wages, government cannot but directly intervene.

In the period of the transmission of the new and old economic structures, and under the conditions of the imperfection of the market mechanism and the enterprises' self-control mechanism, government must assert strict control over the total volume of the enterprises' salaries and wages. There are principally two measures to be adopted: One is to use a "wage handbook" to arbitrarily fix the total volume of salaries and wages, prescribe that the planned target should not be broken and entrust the banks to supervise and control; the other is to carry out the linking of the total volume of salaries and wages with economic benefits, that is, "linking of work and effect." The former principally controls the actual volume of payment of salaries and wages while the latter principally controls the amount taken from the wages fund and the former cannot exceed the limit set by the latter. The balance each year should be set aside to compensate any "deficit" in the next year.

## II. Concerning Certain Problems of the Industrial Age Policy

In recent years, formation of the individual's income in Chinese cities and towns has involved changes that are worth noting. In the total volume of salaries and wages of staff members and workers, the growth of bonuses and subsidies has exceeded the growth in standard salaries and wages; in the monetary income of the staff and workers, the growth of other income outside of salaries and wages has exceeded that of salaries and wages; in the entire actual income of staff and workers, the growth of nonmonetary income of a welfare nature has exceeded that of the monetary income of the staff and workers; and in the income of urban residents, the growth of income of nonstaff members

and workers has exceeded that of the income of staff members and workers. From 1978 to 1990, the annual progressive increase rate of the total amount of actual salaries and wages of staff and workers in the country was 7.3 percent, lower than the annual progressive rate of 8.4 percent of the national income (comparable price) of the same period and the proportionate relationship between the two was 0.87:1; in the same period, the annual progressive increase rate of the average actual salaries and wages of staff and workers in the country was 3.8 percent, also lower than the annual growth rate of 5.6 percent of the social labor productivity rate and the proportionate relationship between the two was 0.86:1. In the urban residents' income, there was a relatively rapid growth in income outside of salaries and wages and in income of personnel of nonpublicly owned units. For example, in 1990, separation and retirement, medical and insurance, and welfare expenses was 93.79 billion yuan (this was absolutely necessary and could not be less); the income of individual workers was 30.1 billion yuan; other income outside of salaries and wages of staff and workers was estimated at over 90 billion yuan; and regarding nonlabor income, such as interest and so forth, if computation is made at 900 billion yuan of bank deposits and various kinds of bonds and debentures, the annual interest could amount to over 70 billion yuan. The aggregate amount of only the above-mentioned several items already amounted to 300 billion yuan, but in 1990, the total amount of salaries and wages paid to staff and workers in the country amounted to only 295.11 billion yuan. In the past 12 years, the ratio occupied by total volume of salaries and wages of staff and workers in China all along has been maintained at around 19-20 percent. Thus it may be said that the speed of the growth in the total volume of salaries and wages has been appropriate. The main problem is the irrational composition, particularly that the ratio occupied by income outside of the regular salaries and wages has been out of control.

To a definite degree, "linking of work and effect" manifests the principle of distribution based on the fruits of labor in the enterprises, and plays an important role in uplifting the enterprises' economic benefits. In 1989, under the conditions of a declining economy, the realized profits and taxes of industrial enterprises comprehended in the budget grew only 1.1 percent, delivery of profits and taxes dropped 33.5 percent, whereas, in the case of enterprises exercising the linking of the growth in these two respects was respectively 7.5 and 10.7 percent. Actual practice has amply shown that the various economic targets of enterprises with the linking have been better than those of enterprises without linking. Therefore, this measure must be further firmly insisted on. Under present conditions, no other better measure can replace it, and if at present we carelessly abolish contracting and linking, great confusion will reign. Naturally, the concrete method should be improved; the unitary linking with delivery of profits and taxes should be changed into linking of compounded targets. The key lies in increasing the content of generation of output from input and the content of the value-increment of assets. The utmost should be done to eliminate the effects of nonlabor factors (such as price

changes); wherever possible, the measure should be regularized to facilitate horizontal comparison, and lessen the evils of "one rate for each factory" and irrational base figures.

At present, the growth of the income of staff and workers of certain enterprises has been too rapid. This has not been caused principally by the linking of work and effect, but caused by too many factors not connected with linking. For example, there are over 100 documentations on regulations governing promotion and various kinds of bonuses. Moreover, there are too many funding channels for expenditures in the nature of salary and wage outlay of which 14 belong to financial regulations which again branch out into several tens of more channels. Salary and wages originally should be accounted for in the cost of production, and other expenditure items should not include payment of salaries and wages, but because of the practice of "general linking and separate funding," there is allowing allowance even in profit retention. This has caused many loopholes and made it difficult for finance to supervise and control.

Growth in the total volume of salaries and wages and in the level of average wage per person should be based on, and determined by, the four principal factors of elevation of national income (net output value), rise of labor productivity rate, price changes, and changes in the number of people employed. Simple linking with commodity prices may cause a repeated rise in volume. Everybody knows that what has not been generated cannot be distributed and that if a larger distribution is desired, all should work together to make the "cake" larger. Only when the economy has developed can everybody enjoy the benefits. It must be firmly insisted upon that the growth in the total volume of salaries and wages cannot exceed the growth in national income and that the growth in actual salaries and wages cannot exceed the growth in labor productivity rate. It is necessary to set up a healthy salary and wage operational mechanism and promptly readjust salaries and wages in accordance with economic law, otherwise, even in the case of a good wage system, it may be artificially ossified, sealed up, and made unable to display its role for any long period.

Disregarding the objective law of the operation of salaries and wages and holding tight and stubbornly to the "front door" of standard salaries and wages may in the reverse cause the overflow of "income of an vague or questionable nature" and the increase of egalitarianism. For example, the standard of salaries and wages of various kinds of work is regulated by the state in a unified manner and all along has remained intact for over 30 years. For the state to enforce in a unified manner the measure of a universal raising of grade and promotion or giving each person several yuan in the form of a commodity price subsidy would bring further confusion to the salary and wage system and help the growth of egalitarianism. This would dampen the stimulating effect of salary and wage and greatly affect the display of enthusiasm on the part of the staff and workers. In the present composition of the income of staff and workers, the proportion occupied by basic salary and wage is daily shrinking, and was only 54.8 percent in 1989. In the past 12 years, bonus, subsidy, and compensation have increased 16 times (monetary income), averaging an annual growth rate of 26

percent and being mostly granted or issued in an egalitarian manner. The phenomenon of "going to work is to obtain pay but doing actual work must be compensated for by bonus" is considerably serious. In addition, state employment of the subsidy method has greatly increased the real income of residents in cities and towns. Subsidies for supplementary food, such as grain and edible oil, various kinds of subsidies of a welfare nature, the housing subsidy, old-age insurance, medical insurance, and so forth have all far surpassed the residents salaries and wages.

From now on, the target of reform should be to incorporate by far the great portion of the open and concealed subsidies into the salaries and wages and make the income of the staff and workers monetarized, in a state of actual salaries and wages, and standardized. The entire portion should be incorporated into the cost of production. Financial control should be strengthened to basically reform and perfect the distribution system. It is necessary, following development of the economy and the gradual enforcement of reform of management of state-owned assets and of the financial and taxation systems, to make the enterprises truly realize autonomous operation; be solely responsible for their own profit and loss; and undertake self-development, self-control, and distribution by their own decision-making.

### III. Relating to the Distribution System Inside the Enterprise

At present, the target of wage system reform is: Macroeconomic regulation and control and control and administration by grade and category by the state and distribution by the enterprise's own decision-making. In other words, under the precondition of enforcement of effective macroeconomic regulation and control how to carry out distribution inside the enterprise is entirely left to the enterprise's self-decision and the state will not intervene. The enterprise is bound to rely on its own self-earned funds to increase salaries and wages, cannot rely on the state, and also cannot eat into its own capital.

Inside the enterprise, it is necessary to penetratingly carry out the principle of pay according to work, that is, distribution according to the quantity and quality of work done and distribution is made according to the good or bad quality of work, high or low technology, and large or small contribution. Effect and contribution form the material basis for the distribution of salaries and wages and if the enterprise fails to make any money from the market, naturally there will be no salaries, wages, or bonuses to distribute. "Being solely responsible for profit and loss" means that we must accomplish the feat of being responsible for the profits and also for the losses and that salaries, wages, and bonuses should move and float in accordance with the benefits. There are four principal factors to measure the quality and quantity of work, namely, labor intensity, labor conditions, labor responsibility, and labor technique. Based on these four factors, taking the actual labor contribution of the staff and workers as the basis, and then fixing the labor compensation system may be said to constitute the so-called post's technique wage system. With reference to different industries and trades and enterprises, the concrete adjustment coefficient cannot be the same, and speaking from the country as



a whole, we can only suggest taking the array of salaries and wages to form the comparative standard between the industries, trades, and enterprises. The salary and wage standard actually in force should be fixed by each enterprise itself. On the basis of actual conditions and factors, like post, technique, benefit, contribution, quality, safety, and so forth, the enterprise may determine the grades of salaries and wages and fix the difference between them. The forms of salaries and wages may be of different kinds and sorts, such as piece wages, structural wages, wages comprising in part goods in kind, time wages, floating wages, and so forth. Different workshops may adopt different forms of work processes. All this should be determined by the enterprise itself.

At present, the principal evil in distribution inside the enterprises is the serious state of egalitarianism. "It matters not if you do more or less work" and "nor does it matter if your work is good or bad." This has damaged the enthusiasm in work of the staff and workers. In enforcing the post's technique wage system, it is necessary to uplift the level of wages for posts which require hard toil; are laborious, tiring, and dangerous; and also to uplift the wage level of posts which are highly technical and call for heavy responsibility. Only by so doing will it be possible to settle the condition of difficulty to find personnel for difficult and hard posts and the problem of inability to retain personnel originally serving in difficult and hard posts and also will it be possible to encourage the staff and workers to study and learn technology and to be brave in shouldering heavy and difficult tasks. When changing posts, the salaries should likewise be changed and there should be no "entire-life employment system." Competition for posts should be enforced; in post transfers, due training should be given for the new post. The system of waiting for appointment inside the factory should be carried out. The stimulating role of salaries and wages should be displayed fully and fairness and efficiency should be unified in wage distribution.

Reform of the enterprises' internal distribution system should be carried out in coordination with the overall arrangement and amelioration of labor composition (rational labor composition), whole-personnel labor contracting system, and social insurance funds. Only by so doing can the benefits be displayed. Reform should be carried out in a down-to-earth manner and on the basis of the enterprise's self-consciousness and self-willingness. By all means, rashness and formalism should be avoided. At the same time, necessary guidance in policy must be given so that, in the market's competitive environment, the enterprise may self-consciously carry out reform. Attention should be given an enterprise's staff, workers, and factory head avoiding suffering any loss; do a good job in reforming the society people's environment; relieve their apprehensions; and truly make reform promote the development of production. We should insist on the integration of ideological education and material encouragement so that the position of master of the house on the part of the staff and workers may be manifested. At the moment, it is most necessary to strengthen propaganda work: Explain more to the extensive masses of staff and workers how policies are formulated and the whys

and wherefors, so that on the foundation of unified understanding, action can be even better unified.

#### **IV. Relating to the Tri-Party Distribution Relationship Between State, Enterprise, and Individual**

Invigoration of medium and large enterprises involves a key problem and this is how to handle well the tri-party interest relationship between state, enterprise, and staff and workers. This problem is directly related to stabilizing national revenues, displaying the enterprise's vitality, invigorating enthusiasm of staff and workers; and furthermore possesses far-reaching significance in deepening reform, promoting the healthy development of the national economy, and consolidating the socialist system.

At present, factory heads and managers universally complain that the enterprises' burdens are too heavy while the departments allege that the ratio of national finance in the national income is getting smaller and smaller. The actual condition needs to be more deeply analyzed.

According to statistics compiled by financial departments in industrial enterprise's comprehended in the budget: The proportionate relationships between state, enterprise, and staff and workers in the distribution of the enterprises' income (net output value) were as follows: 1978—78:2:20; 1989—51:14:35, that is, the state's portion dropped 27 percent, the enterprises' portion increased 12 percent and the portion of staff and workers increased 15 percent (of which salaries and wages occupied 9 percent while labor insurance and welfare benefits occupied 6 percent).

Changes in the portions of the three parties of state, enterprise, and staff and workers were the results of readjustments made in responsibility, right, and interest in the course of reform. Of them, the largest effect was that the main investment body was shifted from the state to the enterprise. The principal changes in the interest distribution relationships were as follows:

1. A shift in the main body of investments of enterprise fixed assets, from state financial appropriation to self-raised funds by enterprises and from noncompensatory use of state funds to compensatory use of bank loans. In 1989, of the total volume of fixed assets investments of units owned by the whole people, state financial appropriations occupied only 13.4 percent and of that a considerable portion was made up of nonproductive investments. Compared with 1980, the fall was 28.6 percent, which caused the enterprises to correspondingly increase their outlay by over 50 billion yuan, or roughly 19 percent of the enterprises' net income. On the other hand, the interest outlay of industrial enterprises comprehended in the 1989 budget amounted to nearly 30 billion yuan, about 11.5 percent of the enterprises' net income. Of the bank profits constituting differences in interest from deposits and from bank loans, a great portion was still delivered to state finance (about 27 billion yuan in 1990). However, this portion was already shown as expenses in the enterprises' financial accounts and hence was not reflected in the proportion obtained by the state.



If the above-mentioned two funds are incorporated into finance, then the ratio occupied by the state would basically be the same as in 1978, and as a whole, there was no great change in the ratio.

2. After the enforcement of the compensatory transfer of technology, the expenses incurred by enterprises in transfer of technology, development of technology, and so forth, amounted to 15 billion yuan, of which a considerable portion was shifted to technical research units, colleges, and specialized institutes.

The state has raised the purchasing price of agricultural and sideline products (in the 12 years, the increase was 135 percent), while at the same time the prices of such means of production as agricultural medicine, chemical fertilizer, and so forth, were also raised. The latter caused a general revision and readjustment of the interest and benefits of a portion of the enterprises and rural villages.

Random collection of fees, random levying of fines, and random making various kinds of levies have shifted the enterprises' income to government organs, bodies, and various sides of society. The amount involved has not been small and has been mostly expended in the enterprises' profit retention (in 1990, the amount occupied 11.3 percent of the enterprises' realized profits and 15.1 percent of their profit retention). This hampered and violated the interests of the enterprises and their staff and workers.

3. Of the total cost of production of enterprises, the salary and wage cost (salaries, wages, and welfare expenses) was basically maintained at around 8.2 percent from 1985 to 1989. For all of 1989, the increase in the total volume of salaries and wages for staff and workers was only 30 billion yuan, but in that year the newly increased bank deposits of residents amounted to as high as 185 billion yuan. Where did this large amount of funds come from? According to estimates, the peasants' income increased 60 billion yuan, interest on the residents' deposits was 60 billion yuan, income from concurrent jobs was about 40 billion yuan, and income of owners of private enterprises and of individual households was about 24 billion yuan. Of them, the great proportion was outside the scope of the income distribution of enterprises' staff and workers.

In the distribution of the enterprises' income, the rational proportion occupied by each of the three parties of state, enterprise, and staff and workers should be judged by the standard of what is beneficial to developing the productive forces. Since the Third Plenary Session of the 11th CPC Central Committee, the national economy's development was healthy and the planned proportionate relationships are in general in a coordinated state. Hence, seen as a whole, in the income distribution of state-owned industrial enterprises, the readjustment and changes in the interests of the three parties have basically been appropriate. Although we should attach importance to prevention distribution of national income from over-leaning to the side of the individual, yet in handling this problem, it is necessary to grasp well the rational proportionate relationship between the three parties of state, enterprise, and staff and workers.

#### V. Relating to Distribution in Nonpublic-Owned Units

Individual households take the individual's labor as the basis. The individual takes over, controls, and disposes of what is earned by labor and is a worker who depends on himself for living. Due to the small scale and weak strength of individual economy, it can only be dependent on the socialist public ownership economy, is subjected to the control of socialist regulations, and is the necessary supplement to the socialist public ownership economy. In the private portion of private enterprises and enterprises of the "three capital sources," the means of production are privately owned and hiring labor is principally employed. Hence, in the profit earnings of the asset holders, naturally a portion is made of income from exploitation. That in the great environment of public ownership economy occupying the ruling position, private economy is subjected to the control of socialist regulations is also a necessary supplement to the socialist public ownership economy. Since reform and opening up to the outside world, actual practice has shown: Individual households, private enterprises, and enterprises of the "three capital sources" have played a positive role in helping develop the socialist commodity economy, opened up new employment channels, invigorated the markets, and increased social wealth and financial taxes and revenues. The state should continue to encourage their development, but at the same time, should actively guide them, strengthen control over them, and restrict their passive effects.

Salaries and wages of nonpublicly owned units, including those of various relatives of hired and temporary workers of "three capital sources" enterprises, are fixed principally by the prices of labor force in labor markets. The salary and wage level of different industries and trades, different sorts of work, and persons of special talent should be graded according to the effects of the supply and demand relationship in the labor market. It is difficult for government to enforce effective administrative intervention in the salaries and wages of these categories of people and in fact government should not directly intervene. This kind of distribution form is determined by the form of the ownership system of the means of production. For the sake of earning bigger profits, enterprise owners naturally hope to reduce as much as possible the cost of production consisting of salaries and wages and to reduce the outlay for salaries and wages, but to maintain a strong position in market competition, they must grant higher salaries and wages to attract talented people. Hence, in between the prices of labor force in the labor market and salaries and wages of staff and workers in enterprises under the system of public ownership, the influences are necessarily reciprocal, and the greater the movement of labor force the more obvious are the influences.

At present, unjust social distribution is manifested on two sides: Within the scope of the system of ownership by the whole people, the principal manifestation is egalitarianism; in society, its manifestation is the excessive difference in income. Naturally, only a minority receive a high income but this has extremely large effects on the psychology of staff and workers. According to a state industrial and commercial

bureau survey: In large cities and towns, the annual average income of individual industrial and commercial households is from 6,000-7,000 yuan; in medium-sized cities and towns, about 4,500 yuan; in rural villages, about 2,500 yuan; and in poverty-stricken areas, below 1,000 yuan. According to a Beijing Municipality survey: Individual industrial and commercial households earning an annual average income exceeding 10,000 yuan occupy 10 percent of the total number of households and those exceeding 100,000 yuan, 2-4 percent. The annual average income of owners of private enterprises is about 24,000 yuan. Aside from owners of private enterprises and individual industrial and commercial households, high income earners include responsible personnel of "three capital sources" enterprises; agents in various kinds of markets; contractor heads; responsible personnel of newly organized companies; roving actors; heads of drama firms or agencies; and management personnel holding concurrent jobs earning concurrent salaries, enjoying distribution of profits, and so on. Among the high income group, a large portion is legitimate income from labor but there is still a portion which does not tally with the quantity of kinds of labor spent while a portion is "underground income" outside the state's supervision and control. In addition, there is also a portion which does not belong to the realm of income from labor. This includes investment, grade difference, and risk-bearing benefits, while a portion has an exploitation content. Then there is a portion with a source of an illegal nature, such as tax evasion, smuggling, fraud, and so forth.

Of the high income, quite a considerable portion is rational, which should be well understood by the staff and workers. For example, individual households and owners of private enterprises do not enjoy the social welfare benefits of housing, old-age insurance, medical insurance, and so forth, and should be compensated for by having a larger monetary income than staff and workers of enterprises under the public ownership system. Besides, they have to accumulate funds to maintain production and operation and must also bear various kinds of risks all of which enterprise staff and workers do not have to worry about. Hence, this portion of income compensation is necessary. Moreover, in the production and operation activities of certain individual households, owners of private enterprises and certain personnel engaged in specialized trades are subjected to the restrictions of market supply and demand relationship, and in the case of an increase in competition in the market or market weakness, their income may be cut.

At present, the basic guideline to regulating the too large differences in income is still: Protect legitimate income, regulate and cut down excessively high income, and prohibit illegitimate income. The measure to settle the problem of unjust and unfair distribution is: Regarding problems existing in the thoroughgoing enforcement of the principle of distribution according to work, they must be settled through gradual reform of the labor wage system. As for problems existing in other distribution forms, they must be settled through the improvement and perfection of the relevant policies and regulations. Excessively high income should be regulated by such means as taxation. Illegal acts aiming at obtaining huge profits should be prohibited and

prosecuted by law. Unjust and unfair distribution in society should be treated in an overall manner. This is a protracted and tedious task. It needs the related departments to closely cooperate with each other and jointly perform a good job.

At present, the distribution forms and channels of the income of urban residents in China are of various sorts and are very much dispersed. Regulating the differences in income of various categories of people in society will principally depend on the individual income regulation tax. In regard to inheritance of the deceased's estate, separate tax forms should be formulated. In the case of persons of low income or in cases of encouragement or award, there may be reduction or exemption of tax. All of the individual's other yearly income should be comprehended within the realm of tax collection. The commencement rate on the individual income regulation tax should be set low, and should be increased by grades. The tax rate on the portion of excessively high income should be fixed high, to prevent the blind growth of consumption funds and to smooth out the contradiction arising from excessive differences in income. The distribution policy based on collection of the individual income regulation tax as a balancing measure has the merits of heightening the understanding of the citizens as taxpayers, promoting and maintaining everybody's concern with protecting public property and public interests, increasing from the interest mechanism the positivism and initiative in participation in people's democracy, and also helping overcome incorrect behavior and acts.

## PROVINCIAL

### Tianjin Trade Zone Attracts More Foreign Investment

OW0706131892 Beijing XINHUA in English  
1305 GMT 7 Jun 92

[Text] Tianjin, June 7 (XINHUA)—The Tianjin Free-Trade Zone has granted permission for the establishment of 100 ventures with foreign investment since it opened half a year ago.

According to the Administration Committee of the zone, by the end of last may the total investment in the zone had reached 259 million U.S. dollars, about 96.8 million U.S. dollars of which came from abroad.

Of the 100 ventures in the zone, 60 are foreign-funded ones, mainly from the U.S. and Hong Kong.

The ventures cover storage, processing, overseas trade, real estate and some other sectors.

By the end of may this year the land-use right of all the 1.2 square kilometers of land in the zone had been leased out.

### Tianjin Opens Joint Venture Plant in Portugal

SK0907143292 Tianjin TIANJIN RIBAO in Chinese  
19 Jun 92 p 1

[By reporters Zhang Xun (1728 3800) and Su Gengrui (5685 5105 3843): "The Tianjin Trust and Investment Corporation Opens Joint Venture Plant in Portugal"]

[Text] The Tianjin Trust and Investment Corporation has opened the largest joint venture enterprise in Lisbon, Portugal: the Portuguese Firefighting Equipment Ltd. Company, which will make extinguishers.

The firefighting equipment company has been jointly established by the Tianjin Trust and Investment Corporation, the Portuguese ACOESTE Group, and the Portuguese FAPOEX Extinguisher Plant. The Tianjin municipal corporation invested \$495,000 in the joint venture company, which accounts for 70 percent of the total investment. The Portuguese companies will recruit experts in the municipality, who will go to Portugal to manage the company, and will import all parts needed for production from the municipality. The finished product will be exported directly to European and African markets.

## FINANCE, BANKING

### Progress Curtailing Funds Used in Finished Products

*HK1007125892 Beijing RENMIN RIBAO in Chinese  
29 Jun 92 p 2*

[Report: "Table of Funds Tied Up in Finished Products of Industrial Production Enterprises Opening Accounts With Industrial and Commercial Bank of China and Progress in Curbing Growth of Tied-Up Funds"]

[Text]

**Table of Funds Tied Up in Finished Products of Industrial Production Enterprises Opening Accounts With Industrial and Commercial Bank of China and Progress in Curbing Growth of Tied-Up Funds—March 1992 (unit: billion yuan)**

Region	Beginning of Year	Volume Controlled by Year-End Period	Actual Figure by End of This Month
National	10.972312	10.062296	13.590205
Beijing	0.333331	0.333331	0.459629
Tianjin	0.29778	0.28168	0.394126
Hebei	0.467383	0.430383	0.628424
Shanxi	0.382821	0.342821	0.423759
Inner Mongolia	0.292343	0.263643	0.351917
Liaoning	0.350809	0.315809	0.514608
Shenyang	0.244701	0.224701	0.279992
Dalian	0.103325	0.088325	0.136126
Jilin	0.340257	0.297257	0.400466
Changchun	0.122087	0.120087	0.138323
Heilongjiang	0.596066	0.506066	0.714242
Harbin	0.242924	0.215924	0.316734
Shanghai	0.513619	0.513619	0.699197
Jiangsu	0.500461	0.450461	0.619807
Nanjing	0.119885	0.117513	0.180009
Zhejiang	0.295728	0.265728	0.358366
Ningbo	0.04247	0.04247	0.048948
Anhui	0.333219	0.298219	0.362323
Fujian	0.166242	0.162917	0.208943
Xiamen	0.03609	0.03359	0.045175
Jiangxi	0.22518	0.20818	0.287546
Shandong	0.538718	0.488718	0.649262
Qingdao	0.089907	0.084907	0.101081
Henan	0.61156	0.55156	0.727851
Hubei	0.331694	0.305694	0.376541
Wuhan	0.142475	0.127475	0.174018
Hunan	0.408765	0.363765	0.435507
Guangdong	0.293111	0.288111	0.448695
Guangzhou	0.18234	0.18004	0.209214
Shenzhen	0.02977	0.02977	0.027867

Guangxi	0.256657	0.244657	0.384991
Hainan	0.037719	0.033719	0.055636
Sichuan	0.395057	0.345057	0.4681
Chengdu	0.153855	0.141855	0.171841
Chongqing	0.208861	0.193861	0.243569
Guizhou	0.19899	0.17899	0.211753
Yunnan	0.161999	0.146999	0.229906
Shaanxi	0.217639	0.197639	0.270633
Xian	0.172267	0.160267	0.211862
Gansu	0.262078	0.237078	0.313266
Qinghai	0.076719	0.07	0.086072
Ningxia	0.0688	0.0608	0.077807
Xinjiang	0.12661	0.11861	0.146073

### Beijing Makes Best Use of World Bank Loans

OW0807091792 Beijing XINHUA in English  
0900 GMT 8 Jul 92

[Text] Beijing, July 8 (XINHUA)—The World Bank promised to grant China loans worth 2.5 billion U.S. dollars for 16 development projects during the 1992 financial year ending June 30.

China's borrowing from the World Bank now totals 13.2 billion U.S. dollars for 109 projects related to agriculture, communications, industry, energy resources, education, public health, urban construction, environmental protection and technical aid.

Many of these projects which have gone into operation since the first loan was granted in 1981 have promoted the economic and social development of the country.

Today's WORKERS' DAILY newspaper claimed that China was one of the few countries which had made the best use of World Bank funding.

### MINERAL RESOURCES

#### Gold Production Witnesses 'Good Start' for Year

HK0807045492 Beijing CHINA DAILY in English  
8 Jul 92 p 2

[By staff reporter: "Mining Is Golden at Mid-Year"]

[Text] China's gold production took flight in the first half of this year, providing a good start to what could be a boom year for gold production.

A report issued by the State Gold Administration yesterday showed that January-June production rose by 15.8 percent over the same period last year.

Specific figures for gold output are a closely-guarded secret, but the report said output in the first six months accounted for 48.8 percent of the state-set target for this year.

Experts believe that if gold output grows smoothly, the industry may be able to increase production by more than 10 percent over last year.

The best seasons for gold production are usually summer and autumn.

Gold is considered a strategic material because it is integral to the development of the national economy and helps the nation's balance of international payments.

Consequently, China has made great efforts to increase gold production, which has been rising 11 percent a year on average over the past decade.

During the January-June period, 17 major gold producing provinces registered production increases above 10 percent over the previous year.

### LABOR

#### Unemployment Rates in Cities, Townships Decline

92CE0531B Beijing ZHONGGUO TONGJI XINXI  
BAO in Chinese 1 Jun 92 p 1

[Report by Zhang Zhibin: "Widespread Decline in Urban Job-Waiting Rates in China"]

[Text] According to statistics, in 1991 China saw marked achievements in the work on urban employment, and large numbers of job-waiting people were provided with proper placement. The job-waiting rate decreased somewhat from 1990. Job-waiting rates declined across all the regions of the country, and there was some improvement in employment difficulties.

The national job-waiting rate was lower than 1990. In 1991, 4.454 million people were added to the unemployed. In addition to the job-waiting people already there at the start of 1991, there were altogether 8.286 million job-waiting people. With the gradual improvement in the national economy, and with the untiring efforts made by relevant departments, great achievements were made to place job-waiting people. During the year, 4.459 million job-waiting people were provided with placement; 145,000 more people were provided with placement than in 1990. By the end of the year, the job-waiting rate declined from 2.5 percent in 1990 to 2.3 percent, and 5,2000 fewer people were covered

by temporary placement than the year before. The temporary placement rate also declined by 0.2 percentage points. Stability in placement also improved over 1990.

Urban job-waiting rates declined across the country. In 1991, most regions in China continued efforts to put into effect the spirit of the State Council's "Circular on Enhancing Urban Employment," and adopted diversified measures to enhance placement of job-waiting people, leading to a widespread decline in the urban job-waiting rates. According to statistics, except for Tibet and Taiwan, urban job-waiting rates decreased from 1990 in 23 regions of 29 provinces, autonomous regions, and municipalities under direct central jurisdiction. Of those regions, Tianjin Municipality saw the largest decrease, 1.9 percentage points. Beijing Municipality saw no change, maintaining a rate of 0.4 percent. Only in five regions, urban job-waiting rates were higher than 1990.

Employment difficulties improved. In 1991, urban employment difficulties were alleviated. In the preceding several years, the national urban job-waiting rate stayed at a rather low level, but employment difficulties worsened daily. The main manifestations were that too large a share of job-waiting people were older people; that too large a share of the job-waiting people were young women; and that the job-waiting rates in economically backward regions were kept at a high level. In view of those problems, in 1991, while working hard to expand employment, localities also provided assistance in terms of policy, funds and materials. As a result, employment difficulties were somewhat alleviated. According to statistics, in 1991 in China the share of older people in the number of job-waiting people decreased from 18.4 percent in 1990 to 18.1 percent. The ratio of young women waiting for jobs did not increase over 1990. In relatively economically backward provinces and autonomous regions such as Guangxi, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, and Xinjiang (no statistics for Tibet), job-waiting rates had been high in the preceding few years. In 1991, while Xinjiang saw some increase (an increase of only 0.03 percentage points), the other seven provinces and autonomous regions saw decreases to varying degrees.

According to analysis by relevant departments, while 1991 saw great achievements in urban employment, some problems remain, and intensive future efforts are needed to solve the problems. First, job-waiting rates are rather high in economically less developed inland regions. The way to solving the problem lies in developing the economy, especially the tertiary industry. Second, there remains the widespread problem of co-existence of difficulties in recruiting employees and difficulties in finding jobs. Improvement in this respect can be facilitated by improving education on enhancing job-seeking consciousness, and by improving vocational training for job-waiting people. Third, it remains rather difficult to find employment for people who have been in "reform through labor" or "education through labor" programs, ex-prisoners, and disabled people.

Since the beginning of the year, various reform measures have been adopted. Comprehensive and coordinated

reforms of enterprise employment, distribution and insurance systems are being continued. Especially, with the widespread adoption of the labor contract system on an enterprise-wide basis, it can be expected that this year will see many people becoming jobless because of the process optimizing labor composition in enterprises, and that there will thus be more people turning from employees into job-waiting people than in previous years. Particularly, in regions with rather low job-waiting rates, there could be more people turning from employees into job-waiting people than in regions with rather high job-waiting rates. Therefore, the emphasis in those regions' work on employment should be on placement of enterprises' surplus personnel. As the number of people turning from employees into job-waiting people will increase, urban job-waiting rates can also be expected to increase somewhat in 1992.

### **Labor Contract System Expands Swiftly**

92CE0531A Beijing ZHONGGUO TONGJI XINXI  
BAO in Chinese 1 Jun 92 p 1

[Report by Tong She: "Labor System Reform Continues Gradually, Labor Contract System Needs Perfecting"]

[Text] According to latest statistics, with progress in reforming the employment system across the country, the ranks of employees under the contract system are expanding daily. By the end of 1991, nationwide the number of employees under the contract system reached 19.719 million, an increase of 2.696 million, or 15.8 percent over 1990, and accounted for 13.6 percent of the total number of employees, an increase of 1.5 percentage points over 1990. The number of employees under the contract system thus increased by 19.148 million, or 3,350 percent, over 1983 when the labor contract system was first put into place, an annual growth rate of 55.7 percent.

In 1991 development and change regarding contract labor had the following characteristics:

There was faster development in terms of the number of employees under the contract system in public-owned work units than in urban collectively-owned work units. At the end of 1991, in public-owned work units, the number of employees under the contract system reached 15.886 million, an increase of 2.166 million, or 15.8 percent over 1990, and accounted for 80.6 percent of the increase in the number of employees under the contract system nationwide. The ratio of employees under the contract system in the total number of employees in public-owned work units grew to 14.9 percent from 13.3 percent in 1990, an increase of 1.6 percentage points. In urban collectively-owned work units, there were 3.229 million employees under the contract system, an increase of 355,000, or 12.3 percent, and accounted for 16.4 percent of the increase in the number of employees under the contract system nationwide. The number of employees under the contract system was 8.9 percent of the total number of employees in urban collectively-owned work units, an increase of merely 0.8 percentage points over 1990.

There was a bigger increase in the number of employees under the contract system in inland regions than in coastal

regions. At the end of 1991, in the 18 inland provinces, municipalities, and autonomous regions, there were 8.336 million employees under the contract system, an increase of 1.3 million, or 18.4 percent over the end of 1990, and accounted for 14.1 percent of the total number of employees in public-owned work units in the 18 provinces, municipalities, and autonomous regions, an increase of 1.8 percentage points over 1990. In the 12 coastal regions, there were 7.55 million employees under the contract system, an increase of 512,000, or 13 percent over the end of 1990, and accounted for 15.9 percent of the total number of employees of the public-owned work units in the coastal regions, an increase of merely 0.6 percentage points over 1990.

Contract employees are mainly in enterprises. In 1991, there were 17.407 million contract employees in enterprises, representing 88.3 percent of the total number of employees under the contract system. There were 1.575 million contract employees in public institutions, representing 8 percent of the total number of employees under the contract system. There were 737,000 contract employees in governmental institutions, representing 3.7 percent of the total number of employees under the contract system. In public-owned work units, there were 13.708 million contract employees in enterprises, representing 86.3 percent of the total number of employees under the contract system in public-owned work units, and 16.3 percent of the total number of employees of public-owned enterprises, or an increase of 2 percentage points over 1990. This shows that there was some success in the efforts to break the "iron rice bowl" in the process of transforming enterprises' operating mechanisms.

As pointed out by relevant departments, the widespread adoption of the labor contract system appears to be playing an important role in the transformation of enterprises' internal operating mechanisms, but there are still many problems urgently in need of solution in relation to the labor contract system.

First, "contracts" have yet to play their due role. There is yet to be formed a relaxed external environment for two-way selection. On the one hand, because of too much administrative intervention, few enterprises terminate contracts for reasons of labor-discipline violations on the part of employees under the contract system and for other reasons. On the other hand, some workers find it rather difficult to find new jobs. Employees under the contract system meet many obstacles if they want to change their jobs; thus, they can hardly achieve their objectives in this respect. At the same time, some employees under the

contract system unilaterally terminate their contracts. Sometimes, people leave without giving notification. As a result, contracts exist in name only. Sometimes, employees under the contract system, to some degree, become "permanent employees in disguise." Therefore, it is necessary to standardize the regulatory procedures with regard to labor contracts, so that they may be more rational and standardized. At the same time, it is necessary to enhance the role of law in the area of labor contracts. Labor contracts should be carried out in accordance with the law to truly enforce "serving notice of both prospective firing and quitting."

Second, the existing wage system can no longer cope with the needs of reforming the employment system. To make up for the part of permanent employees' labor insurance and medical benefits not available to employees under the contract system, the state provides wage subsidy of 15 percent for employees under the contract system. But in practice, this subsidy is usually used for daily consumption. Thus, invisibly, employees under the contract system enjoy an additional part of wages not available to permanent employees. As a result, neither are the objectives of social security realized, nor is the principle of distribution according to work being observed. Undoubtedly, the employees who have just come under the labor contract system are still eating from the "big pot" of the enterprises. Therefore, it is necessary to change, under the principle of distribution according to work, the existing situation of "iron wages" which can only be increased but not reduced, so that employees' work-related compensations are closely related to their work responsibility and skills, to how demanding the jobs are, and to the results of their work. The wage and distribution system should be tilted in favor of workers on the front line of production and in favor of jobs which are hard, deal with dirty materials, are physically demanding and dangerous, or require high skills, so as to promote the rational composition of the ranks of employees.

Third, it is necessary to shift the burden of labor insurance onto society. With the development of commodity economy and the adoption of the labor contract system, there will inevitably occur the phenomena of worker mobility and job-waiting. Enterprises and society should institute unified personnel administration regarding the surplus personnel resulting from the processes of rationalization of labor composition and of adjustments of industrial and product structures. Enterprises should actively develop the tertiary industry and arrange technical training. Society should, through concerned departments, continue to perfect the system of job-waiting insurance to promote the healthy development of the employment system based on the labor contract system.

Total Number of Employees Under the Labor Contract System in Some Regions 1991								
Unit: 10,000 persons								
Region	Number of Contract Laborers				Change Over the End of 1990			
Total	Public Ownership	Urban Collective Ownership	Other Ownership	Total	Public Ownership	Urban Collective Ownership	Other Ownership	
National Total	1971.9	1588.6	322.9	60.4	269.6	216.6	35.5	17.5
Beijing	54.1	36.3	7.0	10.8	9.1	6.4	0.1	2.6
Tianjin	24.1	21.1	1.0	2.0	3.8	2.6		1.2
Hebei	110.7	88.4	20.7	1.7	14.0	10.9	2.6	0.6
Shanxi	55.7	49.9	5.6	0.2	5.8	5.7		0.1
Inner Mongolia	43.4	40.2	3.1	0.1	15.0	14.8	0.2	
Liaoning	121.9	113.0	3.4	5.5	12.8	10.9	0.4	1.5
Jilin	49.6	45.7	3.5	0.4	6.2	6.1		0.2
Heilongjiang	101.4	96.2	3.8	1.3	10.9	-0.1	0.6	
Shanghai	50.4	40.2	4.2	6.0	8.9	5.8	0.6	2.5
Jiangsu	183.1	104.9	71.4	6.7	20.6	10.2	8.4	2.0
Zhejiang	81.0	50.3	28.2	2.4	5.0	1.4	2.8	0.6
Anhui	45.3	41.2	3.9	0.2	7.0	6.8	0.1	
Fujian	32.5	22.8	4.9	4.8	4.0	2.7	0.1	1.2
Jiangxi		37.5	3.3	0.2	4.0	3.8	0.2	41.0
Shandong	199.0	134.1	61.5	3.5	24.2	17.1	5.9	1.3
Henan	125.1	112.0	12.6	0.4	19.6	17.4	2.0	0.1
Hubei	93.6	79.4	13.7	0.5	13.4	10.4	2.8	0.2
Hunan	92.6	82.9	9.6	0.2	9.2	7.9	1.4	
Guangdong	118.6	88.0	20.7	10.0	16.0	11.5	2.8	1.8
Guangxi	37.5	32.3	4.4	0.8	5.5	4.9	0.5	0.1
Hainan	25.3	23.6	1.2	0.4	2.9	2.5	0.3	0.1
Sichuan	86.1	76.9	8.7	0.5	15.4	13.8	1.4	0.1
Guizhou	25.1	20.7	4.2	0.2	3.1	3.6	-0.6	
Yunnan	37.8	31.6	6.0	0.2	10.3	8.8	1.5	
Tibet	1.5	1.5			0.2	0.4	-0.2	
Shaanxi	54.7	48.7	5.4	0.6	7.3	6.9	0.3	0.1
Gansu	37.7	32.1	5.2	0.3	7.5	5.8	1.3	0.3
Qinghai	7.3	6.8	0.5		1.0	0.9	0.2	
Ningxia	8.6	7.8	0.8	0.1	1.0	1.0		0.1
Xinjiang	27.2	22.5	4.4	0.4	5.9	5.3	0.5	0.2

## TRANSPORTATION

### Work Begins on Main Structure for Yangpu Bridge

OW0207133592 Beijing XINHUA in English  
1326 GMT 2 Jul 92

[Text] Shanghai, July 2 (XINHUA)—Construction work has begun on the Yangpu Bridge, the second and longest highway bridge over the Huangpu River in East China's city of Shanghai.

The work on the trunk structure started ahead of schedule.

The highway bridge, in conjunction with the newly completed Nanpu bridge over the river, will connect old downtown Shanghai with the Pudong new area on the other side of the river. Its total length is more than 7,000 meters. The new development area is expected to become a leading force in the country's economic growth.

The construction of the two 208-m-high towers of the suspension bridge was completed in May this year, more than one month in advance of the construction schedule. This made it possible to begin the construction of the major span structure of the bridge in late June.

The 602-m-long single span of the bridge, the longest of its kind in the world, is expected to be joined up next June, and traffic will start to flow by the end of next year.

The main body of the bridge is 1,176 m in length. The span of the bridge is 179 m longer than that of the Nanpu Bridge.

### AGRICULTURE

#### **Hunan Establishes Rice Processing Venture With Taiwan**

*OW0207082992 Beijing XINHUA in English  
0812 GMT 2 Jul 92*

[Text] Changsha, July 2 (XINHUA)—A large-sized mainland-Taiwan cooperative rice processing venture was established in Hunan province on 1 July.

The venture, Hunan Wangwang Food Co. Ltd., is the province's largest of its kind, with advanced rice processing equipment and technology.

The joint venture is a cooperative venture of the Hunan Huaxiang Import and Export Company and a Hong Kong-registered Taiwanese company.

The first phase investment will come to 9.9 million U.S. dollars, its annual rice processing capacity is expected to come to 4,100 tons, with 19.4 million U.S. dollars of output value.

Xiong Qingquan and Chen Bangzhu, leading officials of the province, have participated in the joint venture's establishment ceremony held on 1 July.



**Worries, Expectations of Urban Residents**  
 92CM0349A Shanghai SHEHUI [SOCIETY]  
 in Chinese No 88, 20 May 92 p 45

[Text] A questionnaire conducted by the Urban Investigative Team of Shijiazhuang City covering 1,000 urban households shows that urban residents have "five worries and five expectations" concerning their social and family lives.

The first worry is unhealthy social tendencies; 19.9 percent of those surveyed expressed dissatisfaction or worry about these tendencies.

The second worry is the unfairness in housing allotment. Due to the unhealthy tendencies in allotting houses, as well as the great differences in building capacity by all departments and units, there exists a serious phenomenon of unfairness; 17.6 percent of those surveyed expressed discontent with this.

Rising prices are the third worry. Over the last two years, although the tendency of prices rising too fast has been controlled, people still feel the impact of rising prices; 10 percent of the households surveyed indicated worry about this.

Unfair distribution is the fourth worry; 9.5 percent of the households that participated in the questionnaire expressed dissatisfaction with such phenomena as "reversed remuneration for mental and physical labor," and "preference of being self-employed to earning a salary."

The fifth worry is an unsafe living environment; 7.7 percent of the surveyed households' worries resulted primarily from family thefts.

Urban residents first expectation was to continue to improve housing conditions; 29.8 percent of the households put improvement of housing conditions in first place.

The second expectation is that the young will grow and be healthy. Residents expressed deep worries about the young being adversely affected by society and about the crimes they commit. They earnestly expect that education of youth and teenagers will be strengthened, particularly in the areas of moral character so that they can grow and be healthy.

The third expectation is to maintain price stability. They expect the government to take effective price-control measures to stabilize prices, markets, and people's minds.

The fourth expectation is that the general mood of the party and society will gradually take a turn for the better.

The fifth expectation is that the country will enjoy both political and social stability.

**Sample Survey of Children's Conditions Begins**  
 OW0106083392 Beijing XINHUA Domestic Service  
 in Chinese 0415 GMT 1 Jun 92

[By Xian Zhude (7639 4371 1795), Yang Junxiong (7122 0193 7160)]

[Text] Beijing, 1 June (XINHUA)—A sample survey of the conditions of Chinese children begins in full swing today in China's 29 provinces, municipalities, and autonomous regions (excluding Tibet and Taiwan). The survey, which coincides with the celebration of Children's Day in China, is part of the project of cooperation between the Chinese Government and the UN Children's Fund. It is also a major step taken by the Chinese Government to implement the "World Declaration on Subsistence, Protection, and Development of Children in the 1990's" and other documents adopted at the UN summit.

The survey will be conducted in 240 cities and 840 counties (cities) in various parts of the country, covering 560,000 households and almost 2 million people, including 700,000 children. The main contents of the survey include children's nutrition, growth, planned immunity, birth, death, basic education, school dropout, labor, and family and community environment. The important data gathered from the survey will be used by the government as scientific basis for enacting policies toward women and children.

Some 130,000 specially trained personnel will take part in the survey. During their inspection of the survey work in Beijing Municipality, Director Zhang Sai of the State Statistics Bureau and Deputy Director Shao Zongming urged forward-looking people, government units, and social groups concerned about children's growth to actively support the survey.

**Interview With DPP Secretary Ch'en Shih-meng**

92CM0270A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 265, 11 Apr 92  
pp 32-36, 41-42

[Interview With New Acting Secretary of the Democratic Progressive Party (DPP) Ch'en Shih-meng (7115 1597 1322) by Liao Fu-shun (1675 4395 7311) and Ch'en Jou-chin (7115 2677 4897); place and date not given: "I Had a Thousand Reasons for Saying No, but..."]

[Text] [Question] You have a lot of pig wood carvings, ceramic pigs, and pig posters in your home. How did you become fond of pigs?

[Answer] It began six or seven years ago when someone gave me one as a present, which I placed on a table as a decoration. Coincidentally, another souvenir was a pig. Later a friend told me a story of how Winston Churchill also liked and collected pigs. Churchill said that cats look down on us. Cats often have a look of disdain for people; they look askance at them. Dogs look up to us, frequently wagging their tails, begging for affection and ingratiating themselves with people. Only pigs treat us as equals. Pigs regard everything as an equal; they are neither supercilious nor obsequious.

After he told me this story, I felt that pigs are truly happy-go-lucky, not at all supercilious or obsequious, and unlike cats or dogs. Pigs are lazy in a way, yet their way of taking the world in stride and being able to have no quarrel with the world is also really pretty good.

[Question] Why do you say that pigs have no quarrel with the world?

[Answer] They regard everyone as equal. Such people cannot quarrel. Only when people discriminate between the high and the low do quarrels occur. (Note: At this point, the news photographer lifted his camera from a corner, but Ch'en Shih-meng motioned slightly, shook his head and smiled wryly).

[Question] It seems you do not want a camera pointed at you?

[Answer] I feel I am not a very natural person. One basic requirement for a public personage is the ability to be very natural when he faces the public. I do not have that trait, so I am not a natural leader or a natural political personage. I feel very awkward; I do not engender in people enough of a feeling of being suited for public office. I make people feel anxious about me. Such a person is not cut out for public life.

Therefore, when I become involved in political affairs, I feel my burdens are very great. I find no pleasure in my travails; I do not enjoy negotiating with people or haggling with them. Some people get a certain kick out of this, or they bear it with equanimity, but I do not find it enjoyable at all; thus, I find it is best to avoid it.

[Question] Is this related to your childhood experiences?

[Answer] Somewhat! My father was a very reserved person. I am somewhat like him; I am not too open. I find it difficult

to gloss over things or laugh them off; so many things occupy my mind. I am not like some people who are able to take things lightly, whose thoughts are not unnecessarily preoccupied with minor matters. I am quite unable to do this.

In our family teaching as children, our parents never wanted us to become public figures. From the time I was a child until I became an adult, I never felt I had leadership qualities. I could deal with my day-to-day duties or school work, and I toed the line in the classroom. You might say I was a very responsible person. I never had any wild ambitions or any very great expectations of myself.

[Question] What kind of remarks did your teachers put on your report card?

[Answer] I was usually a good student. Studying and memorizing was never difficult for me, and whenever wild or crazy things happened outside of school, I always felt guilty about my self-restraint. So, I feel that in their eyes I was a good student who would not misbehave and whose school work was also pretty good.

[Question] Does everyone whose school work is good become a class monitor? A monitor is a leader.

[Answer] But even though I was a class monitor, I still did nothing that went against my nature.

[Question] As a monitor, didn't you paddle people?

[Answer] Never. I had a guilty conscience about being a class monitor. I felt I had no right or ability to be a monitor. Thus, I suffered as a result of being a monitor. I gained no benefit from it.

In middle school in Tainan, I had to call the roll every morning. When I was the monitor, some classmates who had not received permission to be absent did not show up, but I called the roll as a mere matter of course. As a result, once when the principal spot-checked the rolls, he found two or three people missing. Then, the principal boxed my ears saying that I had not called the roll truthfully. After he hit me, he made the entire class run 10 laps around the exercise ground.

[Question] When you lived in Tainan as a child, did your father get the job at the sugar refinery through his contacts?

[Answer] My father studied agronomy. He held a masters degree in agriculture from Cornell University in the United States. My grandfather said that the eldest son should study agriculture so that he could live at home his whole life. This was because he felt that the other children might study other things that would take them to cities or other places.

After finishing his study for a masters degree, the Chinese Communists advanced through China step by step. At first, my grandfather wanted my father to continue to study for a doctorate, but my father was unwilling. He decided to take a ship to return to the mainland to be with my grandmother. By the time the ship got to Japan, the entire mainland had fallen and the ship sailed directly for Taiwan. He then went to work in the Taiwan Sugar Corporation.

I was extremely lucky to have grown up in southern Taiwan as a child. Because I grew up in the south, I have been friends with Taiwanese since I was a child, and I lived in the home of a classmate. Next door was a place that raised hogs, and in a courtyard in front of the house, they dried sweet potato shreds in the sun. The stink was awful. This was the kind of environment they lived in. I had a better appreciation of how Taiwanese grow up.

When I was a child, my entire class had only two people from outside the province. The other one was a girl, so we did not talk to each other. As a result, I could talk only with classmates from Taiwan, so I can speak the Minnan dialect.

Had my father held a position in the central government, he would have lived in Taipei where the circle of people from other provinces is usually rather closed, and the people in it increasingly emphasize their feeling of superiority. Growing up in such a circle, it is not easy to understand the other people in this land or their way of thinking. One cannot be concerned for them.

My uncle was a legislator, and another uncle held a position in the Kuomintang [KMT] Central Committee Department of Cultural Affairs. The environment in which their children grew up was entirely different from mine. The value orientation that they express, and their attitude about and degree of concern for ordinary people is very different from mine.

They associate entirely with people in high position. In my view, these people live in a fairly unrealistic Taiwan. They enjoy Taiwan's high standard of living, but spiritually they still think about the China mainland.

Possibly my metaphor is not very good, but they are a little like the Christians who live in the real world six days of the week, eating, drinking, and amusing themselves, but who go to worship God one day of the week. Many people from outside the province enjoy the very good life that Taiwan provides, but spiritually they still feel that the mainland is their home and their paradise.

[Question] Did your feeling that you are different from your uncles' children appear later in life, or are you naturally different because of your childhood environment?

[Answer] I think it appeared later in life! These are memories from a deep sleep; they are all latent. When I was a child and until I went abroad to study, these factors did not play a role. I was very indifferent toward politics, and in college I had no concern at all for this society.

However, after I returned to China to teach after leaving school abroad, I gradually came in contact with very many policy makers among government officials. Then these latent factors made me realize that I was different from the second generation of people from other provinces in my thinking and judgements.

[Question] Did some people from Taipei ask your father to become a government official because of your family's background?

[Answer] My father told me only about one occasion. Chiang Kai-shek made an approach once. When my father went to see him, Chiang Kai-shek asked him whether he was

content with the work he was doing. My father said that he was very content. Chiang also asked him whether there was anything he needed, and my father replied that there was nothing. Probably, there was only one such occasion.

Beginning with my father at least, we Ch'ens never depended on our background or our previous contacts. Possibly, I am not being entirely fair in saying this since some of my relatives had very close ties to the party and the government, but my branch did not. I think that as the manager of a small sugar refinery, my father also had no background worth mentioning. At that time, Taiwan did not have very many graduates of Cornell holding a masters degree who might provide support, so I have a clear conscience about not depending on contacts to get ahead.

[Question] When you were young, were you a "melancholy youth?" Did you often lie along the river reading novels?

[Answer] That could not be me. I always felt very ordinary from childhood. Although my school work was good, I was not naturally gifted.

[Question] Why do you feel that way? Certain facts demonstrate otherwise.

[Answer] I did not say I was no good, but I felt very ordinary. I was not better than others. It was just that what I did, did not make people feel bad. I also rather liked doing things that required thinking. I did not want to adapt myself to changing conditions on the spot. My intelligence was no better than anyone else's.

[Question] Did you take part in any debates or make speeches?

[Answer] When I was an officer candidate in the army I gave a speech once.

The last half year of my military service was spent working. At that time, Taiwan left the United Nations, and Chiang Kai-shek wanted to build 24 gun emplacements along the seacoast. I spent a whole half year at Kuanyin along the coast where we lived in peasants' homes. Whether they wanted to or not, or whether they liked it or not, they had to evacuate several houses for us.

We worked virtually 24 hours around the clock. Each company was divided into three shifts, each of which was on duty for eight hours. It was really very tough. It was particularly so for the soldiers from Tainan and Chiayi, some of whom had been tailors or barbers. They could not lift the carrying poles or walk spraddle legged. They could not walk very far without passing out, and someone would have to take over right away. Sometimes I would help out, but the company commander told me that "military officers should not do that." But I could not be hardhearted. Those soldiers were truly pitiful.

[Question] At what time did you begin to form an impression of your grandfather, Ch'en Pu-lei [7115 1580 7191]?

[Answer] We had a very slight impression of our grandfather. We just prepared some fruit on the anniversary of his death in November each year, put up his picture, and bowed before it three times.

My father was virtually mute about him. I believe that my father felt that my grandfather's suicide would be very difficult for a child to understand, so he did not talk about it.

[Question] When did you learn that he had committed suicide?

[Answer] Possibly when I was in junior middle school. My impression is not that clear. I saw his memoirs at home. Hung-ch'iao Press in Shanghai published a handwritten copy of them. The characters are very hard to make out, but I learned something more or less.

[Question] Nowadays, do you very much dislike people bringing up your grandfather's name when talking about you?

[Answer] Not at all! Opinions differ as to why my grandfather committed suicide; there are many different views. Grandfather was so courageous. He felt very disheartened when he heard people severely criticize Chiang Kai-shek, or when he saw other members of the KMT or leaders engage in corruption or become turncoats to the Communists. Whatever happened, I can at least be extremely certain that his suicide was not because he had done anything wrong. He did not take graft. He left only several hundred yuan worth of gold yuan certificates when he died, and those gold yuan certificates were as worthless as toilet paper. He was a very scrupulous person at the very least. No matter why he committed suicide, I cannot be ashamed of him. I only feel that if he felt apologetic toward Chiang Kai-shek and died because he did not help him do something, I think that was not worth it. Beyond this, I do not feel there is anything for his descendants to feel ashamed of.

However, to tell the truth, after he died, neither my father nor my generation used his name to gain any advantage. Therefore, whenever others refer to my grandfather, I also do not feel any reason for begging their pardon or that I used his name to get my present position.

[Question] Was your father's unwillingness to have you engage in politics connected to what happened to your grandfather?

[Answer] Of course. He himself never engaged in politics, nor did he ask Chiang Kai-shek for an official position. Consequently, some rumors are a little hard to understand.

Recently a Taiwan University professor told me that he is doing a study of Taiwan Sugar, and that some people in Taiwan Sugar told him that possibly the reason Ch'en Shih-meng had changed to what he is today was because his father failed in his career at Taiwan Sugar. Such people's guesswork about my family suggests that if you take part in an opposition movement or criticize the government, it must be because you personally were treated unfairly. It is out of a desire for private revenge or to redress a private wrong. The Chinese seem only able to think along these lines. Why can't they suppose that you do not have to be personally affected to be concerned about social justice. If something happens to someone else, you can also be affected. You can be sad for them and protest injustice for them.

[Question] Your father understands the process whereby you burned your KMT Party registration and joined the DPP, does he? What is his attitude?

[Answer] My father and I have a gentlemanly relationship. He expressed his disapproval, but he could not tell me not to do it. The fact is that beginning with the Teachers Alliance, the KMT has used very many channels, one of which is my father. They want my father to talk to me about not organizing this alliance, but my father will only convey to me what they say.

[Question] Possibly you personally do not desire to become party secretary, and whether you do or don't is of no significance to you. But for the KMT and the DPP, as well as for history, it is significant. Your grandfather was an important person in the KMT; today, however, you are the chief of staff in the first opposition party. What are your thoughts about this?

[Answer] I have never thought about it from this angle. The only thing about it that differs from what other people do is that in other cases, it is usually that the father becomes a very important official, and his son also becomes an important official. There are many such instances in Taiwan, particularly in the Chiang family, and everyone feels this is very natural.

My difference is that one was in the KMT, and the other is in an opposition party. The reason I am not very much the same is that my grandfather really had no influence on me. He died 100 days after I was born, so I grew up not in a well-known political family but independently. I took this road later on. So, possibly there is some irony of fate. I do not know how to say... I also do not feel that this happened on purpose; I can only say that it is one of life's coincidences.

[Question] Why do you say that you have always been propelled by your environment when, in fact, you had the right to say yes or no at every turn?

[Answer] You have to understand my nature. I find it very difficult to say no to anyone. (Note: The correspondents called at his home for two days in a row seeking an interview). I am not a forceful person. This was the way I was when the DPP wanted me to come forward. I had 1,000 reasons for saying no, but...

[Question] But you did not refuse flat out?

[Answer] They are always looking for some lofty reason; they have their own difficulties too. Mostly because my reservations were for rather personal reasons, they did not count as a lofty reason for them.

[Question] Why didn't you raise your personal reasons to the level of their lofty reasons? Personal reasons are the most basic kind of reason.

[Answer] Next time I'll have you help me make a statement and go talk with them.

I felt that what they said made some sense. I could not deny or refute it. The main reason they gave was that I did not belong to any faction. The problem of internal unity is

already very serious within the DPP. Today, neither National Assemblymen nor Legislators identify all that much with the Party Central Committee. They are not a very normal party out of power. A party out of power should be fairly anti-democratic and fairly revolutionary. In the special political climate in Taiwan, it should generate sufficient strength to act as a check and balance on the KMT. When there is internal disharmony, there is no use even thinking about posing a threat to the KMT. Therefore, everyone should be made to sacrifice some of his or her personal interests and put the interests of the party first. If a person belonging to one faction or another were to become the party secretary, this goal could not be attained.

In addition, they said that being from a province other than Taiwan was also a consideration. The DPP does not have many members from other provinces, and the impression it has given in the past has been rejection of those from other provinces. Chang Chung-tung [1728 1813 2767] is in poor health; he cannot come forward. Otherwise, he should have become the secretary.

I feel that my having come forward to become secretary general has had a settling effect on people of other provincial origins. They will not fear the DPP. Too many people fear extreme racism and extreme Taiwan independence elements.

[Question] But people such as Fei Hsiao-p'ing [6316 1585 1627], Fu Cheng-he [0265 2973 0735] and Lin Cheng-chieh [2621 1585 2638] are all examples of failure.

[Answer] They are all basically members of the unification faction. I might say that I hold no hope at all for unification. Although we must honor calls for unification; nevertheless, if you say that we will become unified with the mainland in the future, I simply will be unable to imagine it.

It's not just that there is such a great difference in economic and educational standards, but the people's thinking and temperament are different. People on the mainland are far more warped than people in Taiwan. Take the students from the mainland who were studying abroad that I met, as an example. They all acted as though they were living in a jungle with survival as their only thought. Consequently, they used countless clever tricks to gain a chance to exist in the United States. They ingratiated themselves with the professors, used behind-the-scenes influence, and cheated. A very high percentage of people in the mainland have this same disposition. A case in point occurred when my wife returned to the mainland more than two years ago. Some relatives felt that people from Taiwan came to the mainland for the purpose of "atonement." They were not satisfied with the gifts brought to them, and after my wife returned to Taiwan, they wrote letters asking her to mail money. Where we feel that a certain dignity and propriety goes with being a person, they don't regard such things as important.

The KMT has contaminated popular aspirations on Taiwan for 40 years, so that now they have become degenerate. Should an atmosphere of the law of the jungle come in from the mainland on top of this, even though we would be a unified country, no one would want to continue living in it.

Our loud cries for unification today encourage the development of a gain-without-toil frame of mind in mainland China. Mainland China feels that finally the day will come when Taiwan's things will be its own. Everyone will have to share, so why strive? I do not understand what Li Teng-hui is thinking about, why he wants to draw up a national unity program that provides the mainland people with illusory expectations and encourages them to a frame of mind of opportunism, laziness, and gain without work.

My own concepts are close to those of the DPP. If Fei Hsiao-p'ing et al are rejected, I feel it will not be because they are from another province, but their own doing.

In fact, not only does the DPP not exclude people from other provinces from party membership, but it tries to win them over and gain their favor. When something is rare, you value it very much. If your ideas are close to theirs, you can win acceptance by reasoning things out with them. They are anxious to welcome them. How can they reject them? Consequently, I am not much worried that what happened to those people will happen to me.

[Question] A secretary general's role requires that he deal with many onerous tasks inside and outside the party. Are you temperamentally suited to do that?

[Answer] I believe that I have the same expectations that others have in doing this job, and there is nothing written that prescribes just what a secretary general's duties should be. So, I can be fairly flexible. I can select the matters in which I am fairly competent. On matters with which I am not familiar or that I have no way of solving..., since the Central Committee has nominated me, they must also bear responsibility for success or failure. They cannot just nominate someone and then sit back and relax. So I am not all that worried. At least Hsu Hsin-liang [6079 0207 5328] and Chiu I-jen [6726 5030 0088] said they are willing to help out with things I cannot handle, and then too the chairman of the secretariat can take care of administrative matters.

Administrative efficiency bears watching, but an even greater problem for the DPP, I fear, is improving the general impression of the DPP. I can provide a political affairs development plan.

[Question] Aren't you afraid that people might say that you have lessened the authority of the secretary general?

[Answer] It is my understanding that a secretary general is chief of staff, so what lessening authority means I do not know. I have never thought about this.

I just want to do my best to draw up some plans and forge links with people outside the party to get their support. I want to do all possible to relay the DPP's reform measures to the academic world so that it understands that the DPP is consciously reforming. I believe I can only help change everyone's poor impression of the DPP. If I can do that, it will be enough. Making authority greater or less is not significant unless one plans to run the government in the future. By making it bigger, later on one can advance to a better stage. I am entirely disinterested in that, so I also feel that lessening it is not bad.

[Question] Do you like to chat with people?

[Answer] I can talk a lot! The most strenuous part of talking is when you have to hold back things or tell lies. But I also do not believe that I withhold the truth from anyone. Certainly, when I talk I hope that the other party is sincere. The object of talking is to solve problems. If the other party is deceitful like some people in the KMT who talk forever but tell only lies to string you along.... Therefore, in this sense, I will not necessarily be a very good choice for secretary general.

My friends feel that I too much categorize people as being good or bad. Once I feel that a certain person cannot be forgiven, I sideline him and offer him no encouragement. Toward good people, I am completely open. Possibly I am somewhat this way by nature. If a person makes me feel he has done something shameful, I will give him no encouragement at all. However, I do not go so far as to feel that whoever is not a friend is an enemy. I just don't have very deep relations with some people. I also have a lot of insight into myself. When necessary, I can readjust, and the reason I can readjust is that I don't generally have high expectations of people in general. Toward people in high positions whose every word and every action can affect very many people, however, my requirements are fairly high.

Some people feel that my condemnation of the KMT and my failure to condemn the DPP is a double standard. I am completely a supporter of a double standard. The KMT has so many social resources. Its decisions affect Taiwan's whole future. Its authority is so great and its responsibilities so large that criticism of it must be strict.

The DPP is two or three small cats. It has no money, so when it is often condemned for not proposing public policies, I cannot accept this condemnation. Public policies do not just drop out of the sky. An economic construction plan costs NT\$2 billion each year. Drawing up a Six-Year National Construction Plan takes more than 100 people. Where is the DPP to get the NT\$2 billion a year for such a thing? I do not even have NT\$100 million, and I wouldn't have it if I had five doctorates. Yet you want the DPP to come up with a public policy all day long, and one that is better than the KMT's. That's asking too much!

I am not saying that consequently the DPP should only behave like hoodlums in the street forever. We can only wait until more people identify with it, and more people join it; then you can ask us not to delay. You should not first adopt what seems to be a neutral objective position and say that unless you come up with a public policy I cannot join this party and you are a lousy party.

[Question] Sometime ago, you and 100 allies in action went to every village in the province making one speech after another. How do you feel that went?

[Answer] I feel it went very well! I have been away from Tainan for 20 years, but when I helped give speeches in the villages of the south, I felt this was more profound than giving speeches to tens of thousands in Tainan City. Frequently the audience in a village amounted to only 100

people or so. We put up a bamboo platform, hung an electric light, and the audience was made up entirely of just ordinary folk...

One evening in Hsinying, in particular, when it was dark all around with only that single light bulb, and later on some people sitting down in front, I felt very profound. I do not know how many thousand times before I had stood on a rostrum, but speaking there I felt especially as though I was genuinely experiencing the meaning of democracy. What I mean by this is that when you tell your thoughts and ideas to the people at the grassroots level, this democracy in practice. It has a flavor entirely different from talking to the Rotary Club or to the Young Chamber of Commerce in an air-conditioned room. It is very rural. When you see such people, maybe they are at a level very far from your own, but they are people just as you are.

[Question] What has the KMT done to you since you joined the Teachers Alliance?

[Answer] People in the KMT are made to feel that they are a not very "human" group of people. To a substantial extent they are unconcerned about the well-being of those not linked to them. They regard them as dirt.

However, if you are in their circle, or if you are a fairly influential person, they treat you with considerable courtesy or respect. So they are very discriminating. Matters that affect their careers or well-being, these people will treat with a different attitude, but living beings have no part in their outlook.

The problem is that although we cannot ask everyone to look after the life, death, and well-being of others, but the ideas and decisions of policy makers or government officials do have an effect on the well-being of very many people. For these KMT people to have this frame of mind under these circumstances is insufferable.

For people like us living happily and easily in Taiwan, if you want to work with the KMT, they will not treat you shabbily. It is just that I feel unable to identify with these people. They have not shown concern for the common people, so even should they treat me with courtesy and consideration, I do not feel I can get along with them any longer.

[Question] Do these observations stem from some specific incidents in your contacts with the KMT?

[Answer] As an example, the 100 articles of the criminal code and their frustration by KMT officials shows that they have no conception of the popular will.

Another example is Shih Ch'i-yang [2457 0796 2254] and Ma Ying-chiu [7456 5391 0046] who wined and dined us, but their goal was simply to solve their own problems rather than putting their minds to solving the problems of the common people.

At that time I called for a television debate, but Shih Ch'i-yang's immediate reaction was to say, "This is not necessary. Ordinary people will not understand." I told him that this is not a matter of understanding or not understanding, but a matter of education in democracy. The

government should dare to accept challenges from all quarters. It should dare to hold an open debate on the laws and policies it has made. This is education of the public. The government is not something that is high above. The ordinary people always wants the government to tell us why it does things. This is the only way to be the master.

Ma Ying-chiu should bear in mind constantly what effect this will have on the regime's authority if it goes on. He cannot think or speak about anything that shows good intentions toward the common people. Therefore, this new generation of the KMT is more terrible than the older generation because they are technocrats. They have a strong theoretical background, and this background often makes them tools of the rulers.

Although the KMT is an outside power giving impetus to making Taiwan more democratic and more indigenous, its stated position is like touching flame to dry tinder for politicians, businessmen or some muddleheaded people. The two sides agree with each other, and should they combine, that will be something that even native Taiwan opposition forces will be unable to move.

My contention that the KMT is an outside power does not mean that it has a very large number of members from other provinces or that the KMT came from the China mainland. Instead, I mean that the China mainland is still its ultimate goal. It still regards Taiwan as a very poriferal area, a tool, and a transitional springboard. It has always held that this greater China is its future and it is unwilling to give up this small place that is Taiwan.

The Taiwan people must not accept the regime of such a political party. When Hao Po-tsun and I dined together, he said in five or 10 years the central government will no longer be in Taiwan, so it is not necessary to establish a central government office location in Taipei

Currently he is preparing some fictions about making Taiwan more indigenous that link together local factions and economic power, all large financial groups, and KMT-run businesses in joint investment. If the KMT is able to smooth out the division of economic power within two years, it will be the power-holding party in Taiwan forever.

### **Solid Legal Basis for Plebiscites Asserted**

92CM0353B Taipei TZULI WANPAO in Chinese  
7 Jun 92 p 2

[Article by reporter Li Ch'iung: "Do 'Plebiscites' Have Legal Basis?"]

[Text] Recently, during the campaign launched by academic circles to abolish the National Assembly, and during the debate over the construction of the fourth nuclear power plant, people advocated holding plebiscites to decide these two important issues. Only the ruling authorities have refused to respond to such proposals, arguing that there is no legal basis for plebiscites. But a part-time professor at Chungsin University Shen Chien-te, while collecting materials for a history of Taiwan, discovered that the first draft of *Important Events in the History of the Republic of China* compiled by the National History Institute and materials in

the YALE UNIVERSITY LAW JOURNAL all show that as early as 1945 the Republic of China agreed to Outer Mongolia's holding a "plebiscite" to decide the issue of its independence.

According to Shen Chien-te, the first draft of the National History Institute's *Important Events in the History of the Republic of China* which he used in his research, and an article on Outer Mongolia's independence written jointly by Professor Ch'en Chi-lung and an American professor Reisman and published in the March 1972 edition of the YALE UNIVERSITY LAW JOURNAL which he found in an American library both contain detailed accounts on the Republic of China government agreeing to Outer Mongolia's holding a plebiscite to determine whether there should be independence. At that time, the Chinese government even sent officials of the Interior Ministry to Outer Mongolia to observe the plebiscite.

The material on the Outer Mongolian plebiscite contained in *Important Events in the History of the Republic of China* is part of the Treaty of Friendship and Alliance between the Republic of China and the Union of Soviet Socialist Republics concluded by China and the Soviet Union on August 14, 1945. In the document, the exchange of note with signatures of the Chinese Foreign Minister Wang Shi-chieh and Soviet Russia's Foreign Minister V. Molotov and the exchange of note on Article 2 of the agreement provide basis for the plebiscite. The contents are: "In view of the fact that the people of Outer Mongolia have repeatedly expressed their wish for independence, the Chinese government declares that, after the defeat of Japan, if a plebiscite in Outer Mongolia testifies to this wish, the Chinese Government will surely recognize the independence of Outer Mongolia, with its existing boundaries as its boundaries. The statement above will acquire binding force when the Sino-Soviet treaty of friendship and alliance concluded on 14 August 1945 is ratified."

According to the two pieces of information, Outer Mongolia held a plebiscite on 20 October 1945, and on the day of the plebiscite China sent its deputy Interior Minister to Outer Mongolia's capital Ulaan Baatar to observe the plebiscite. On 5 January 1946, the Chinese government officially recognized the independence of Outer Mongolia on the basis of the result of the plebiscite. Later, after seizing power, the CPC also recognized the independence of Outer Mongolia on 6 October 1949.

According to Shen Chien-te, the treaty very clearly indicates that the government of the Republic of China agreed to Outer Mongolia's holding a plebiscite to decide the issue of its independence. But the ruling authorities have refused to respond to people's proposals on joining the United Nations under the name of Taiwan, on abolishing the National Assembly and the fourth nuclear power plant, and have refused to conduct plebiscites. The authorities' argument does not accord with historical facts.



### From Power-Sharing to Nation-Building

92CM0353C Taipei TZULI WANPAO in Chinese  
8 Jun 92 p 14

[Article by K'u Ling: "Where Does Demand for Taiwan Independence Come From"]

[Text] Where does the "sense of nation" behind the demand for Taiwan independence come from? There seem to be many theories. For a time, in the government-controlled media, "communist bandits, the Taiwan independence movement, and democratic figures" formed a "trinity." Later, as the situation changed, "communist bandits" came to be used as a tool to frighten people desiring Taiwan independence. Therefore it was necessary to find a "behind-the-scenes director" for the Taiwan independence movement, and it seems that such a director has yet to be found.

In fact, a group of people would not without reason try to establish a "new nation." Unless the "old nation" is too bankrupt to be saved, or there is no nation to speak of. In the case of Taiwan, the first time people attempted to build a nation was after the Ch'ing court ceded it to Japan. "If the existing nation does not want me, then I will build a nation of my own." After Japanese occupation forces came, it was felt that "the situation is unsatisfactory but acceptable." Thus, the objective became achieving political participation and autonomy. Why would only a few Taiwanese desire independence in the face of Japan, an alien nation?

After the defeat of Japan, Taiwan was able to return to the "embrace of the motherland." Most people were naturally very happy. But, even then, some people began (including the present chairman of the Straits Exchange Foundation) to think about "building a new nation." Unfortunately, not many people responded to such ideas. In addition, there was the bloody suppression in 1947. As a result, the movement for Taiwan independence was suspended until the time when the so-called "Republic of China" was driven out of the international community and when the "People's Republic of China" began to threaten to invade Taiwan in a menacing way. At such a time, it would be really strange, if 20 million people did not desire a nation of their own.

### Assembly Members Not To Receive Regular Salaries

OW2706084492 Taipei CNA in English 0749 GMT  
27 Jun 92

[Text] Taipei, June 27 (CNA)—Members of the National Assembly should not draw regular payment from the national treasury, the Council of Grand Justices ruled Friday.

However, they may receive compensations for the actual expenses they pay in order to carry out their duty. Such expenses include postage, transportation costs, and the premium on their insurance.

They may also receive payment for the execution of their duty when the National Assembly is in session.

The legislative branch of the government shall enact laws to govern such payment and compensations, the council said in Interpretation No. 299.

### Cement Industry Hopes To Invest on Mainland

OW0807113292 Taipei CNA in English 0814 GMT  
8 Jul 92

[Text] Taipei, July 8 (CNA)—A business leader Tuesday urged the government to allow cement producers to invest on the China mainland and sell part of their mainland production in Taiwan.

In a symposium on cross-strait economic and trade relations, sponsored by the Ministry of Economic Affairs, president Wang Ling-tai of the Taiwan Cement Products Association said cement production in Taiwan will become insufficient for domestic consumption in 1994.

To ensure stable supply of the product in the future, the government should permit Taiwan investors to produce cement on the mainland, he said.

When asked to comment on the issue at the symposium, Economics Minister Hsiao Wan-chang didn't rule out the possibility of allowing cement producers to invest on the mainland. However, he said he had to think more about it, because cement production is capital-intensive.

Cement is not on the list of 3,737 products that the government has permitted Taiwan investors to produce on the mainland.

### Industrial Output Declines in June

OW2107090492 Taipei CNA in English 0822 GMT  
21 Jul 92

[Text] Taipei, July 21 (CNA)—Taiwan saw a setback in industrial production in June, according to statistics released by the Ministry of Economic Affairs (MOEA) Monday. The statistics show that industrial production index stood at 131.57 in June, down 2.4 percent from May, but up 3.31 percent as compared with a year before. The index for the first six months of the year rose 4.95 percent from the same period of last year.

The MOEA figures also show that the June output index for the manufacturing sector was 128.97, a 2.67 percent fall from May, but a 3.69 percent rise from last year. Aggregate manufacturing production index in the first half of the year marked a 4.98 percent increase from year-earlier levels, of which heavy industries picked up 7.83 percent and light industries declined 1.57 percent.

House construction in June posted a sharp 15.61 percent decline from a month ago, and approved construction acreage shrank a whopping 29.67 percent, MOEA officials pointed out.

The June production in utilities grew 5.22 percent from May, while mining output plummeted 29.54 percent from a year earlier, they said.



**Transport Minister Reports on Shipping Statistics**  
*OW1307085692 Taipei CNA in English 0807 GMT*  
13 Jul 92

[Text] Taipei, July 13 (CNA)—Taiwan's steamship fleet boasted 9.65 million shipping tons in the past year, Minister of Transportation and Communications Chien You-hsin said Sunday.

Speaking at a ceremony marking Navigation Day on July 11, Chien said Taiwan has 257 merchant ships with displacement of more than 200 tons.

He said that more than 99 percent of Taiwan's import and import goods [passage as received], totaling 121.25 million tons last year, were shipped by sea.

Taiwan's Evergreen Marine Corporation and Yangming Marine Transport Corporation were among the world's top 10 container shipping companies, he added.

**Survey on Performance of Legislative Councilors**  
92CM0340A Hong Kong TANG TAI  
[CONTEMPORARY] in Chinese No 14, 15 May 92  
pp 51-62

[Article by Chang Yung-hsiang (1728 3057 5046): "A Review of Legislative Councilors' Performance Over the Past Six Months"]

[Excerpts] *Introduction: At the end of April, TANG TAI YUEH KAN [CONTEMPORARY MONTHLY] distributed a questionnaire to major press and electronic media in Hong Kong to solicit comments from journalists covering the Legislative Council as to the performance of councilors since October 1991. Altogether 54 copies of the questionnaire were distributed, and 29 responses were received from journalists working for various major press and electronic media.*

The survey was intended as part of a semiannual review of the councilors' performance. Because the journalists covering the Legislative Council have constant contacts with the councilors, their comments, of course, have a certain value when used as reference material. [passage omitted]

The questionnaire used in the survey was by no means complicated. It consisted of five questions, including the efforts exerted by the councilors, their parliamentary ability and political wisdom, and the level of trust as viewed by the respondents. The journalists were requested to rate the performance of each and every councilor in these five aspects, using scores from one to 10. Ten was the highest score, and zero was the lowest. [passage omitted]

**Exertion of Effort—Elected Councilors Are Outstanding**

Among the top six in the "exertion of effort" appraisal, four were elected councilors. Wu Ming-chin had the highest score (8.1); second was Li Chu-ming (7.91); Liu Hui-ching and Tu Yeh Hsi-en both had a score of 7.85; and Liu Chien-shih and Fan Hsu Li-tai both held fifth [as published] place with a 7.55 score. Of the 11 councilors receiving an average score of seven or more, eight entered the Legislative Council through direct election (besides Wu Ming-chin, Li Chu-ming, Liu Hui-ching, and Liu Chien-shih as cited above, they include Yang Sen, Chang Wen-kuang, Li Yung-ta, and Tu Chin-shen, who had scores of 7.15, 7.4, 7.05, and 7.12 respectively). As for the other three, Tan Yao-tsung represents the Labor Functional Constituency, Tu Yeh Hsi-en represents the Urban Council, and only Fan Hsu Li-tai, concurrently an Executive Council member, is an appointed legislative councilor.

It appears to be an expected result that elected councilors received better exertion-of-effort ratings. One of the reasons might be that many elected councilors are full-time parliamentarians, who are, of course, apt to devote more effort to the Legislative Council work than those "holding the councilor post concurrently with other jobs." Another reason is that, because of their greater pressure (or sense of responsibility) to be accountable to the electorate, they are more likely to do their best. However, these generalized reasons seem to be insufficient to explain the matter completely. Some results obtained by the survey have borne out the limitations of the above reasons.

The six councilors having the lowest "exertion of effort" scores included elected councilor Feng Chih-huo (4.52). In addition, the scores received by Lin Chu-cheng (5) and Wen Shih-chang (5.92), who entered the Legislative Council through direct election, were not high either—their scores were even lower than many appointed councilors. This may give rise to a certain degree of skepticism: "Direct election is not necessarily a guarantee for the best efforts."

With regard to the low scores received by Feng Chih-huo, Wen Shih-chang, and Lin Chu-cheng, though each had his own reason, a general explanation is that the areas of work these four [as published] councilors focused on was not a hot topic during the past six months. For example, Feng Chih-huo, for a long time, has not had an opportunity to display his "anti-nuclear" image, nor has any major event occurred in his north region to enable him to give full play to his abilities. Furthermore, though Feng Chih-huo is the environmental spokesman for the United Democrats of Hong Kong [UDHK], he has not used this capacity to distinguish himself. Naturally, the media and outsiders gave him a low exertion-of-effort rating. The same is true of Wen Shih-chang (UDHK spokesman on cultural, recreational, and broadcasting policies) and Lin Chu-cheng (UDHK spokesman on the medical policy). Wen Shih-chang has had no significant activities for the past six months, except for a motion he put forth at a recent Legislative Council session concerning the debate and examination of the broadcasting policy. As for Lin Chu-cheng, his performance can be described as far less striking than what he did during the 1985-1987 period when he was elected to the Legislative Council. The reasons for this, of course, include the change in the situation. In the current Legislative Council, there are no lack of members who dare to criticize the government—a situation quite different from that in 1985-1987. However, whether Lin Chu-cheng has exerted utmost efforts and is capable of making breakthroughs, people feel that he has done his best, and this is a factor not to ignore. Elected councilors are politicians whose career is based on popular support. Whether their work is known to the public or receives publicity determines their political asset. The fact that the survey shows these three elected councilors have not exerted their utmost efforts may be viewed as a minor alarm concerning the future of their political career. No wonder gossip in political circles has it that some political groups are eyeing covetously the seats presently held by certain elected councilors. All these seats are relatively weak links of the UDHK.

In contrast, Wu Ming-chin, who won the highest exertion-of-effort score, has built a publicly recognized "hard-working" image by taking advantage of his capacity as UDHK educational-policy spokesman to raise the issue of establishing the University of Science and Technology. In fact, however, if we look through the records of the offices of the Executive and Legislative councils, we will see that Wu Ming-chin was not always the most active figure in various areas of the Legislative Council work. For example, he joined only six bill-examination groups of the Legislative Council and cannot be regarded as very active. In this area of work, he was far behind Tu Chin-shen, another UDHK member, who joined 26 bill-examination groups, and

Ronald Arculli, member of the Cooperative Resource Center [CRC] (who joined 30 such groups). Of course, participation in bill-examination groups does not speak for the councilor's hard work. Wu Ming-chin's example is exactly an indication that, in the eyes of outsiders, whether or not a councilor is active in joining such groups is not a main criterion for judging how hard he exerts himself.

Among those winning high "exertion of effort" scores, Fan Hsu Li-tai is the only one with dual membership in both the Legislative and Executive councils and the only CRC member. Her constant appearance on public occasions in connection with public security issues might be a favorable factor for her high score. With regard to participation in bill-examination groups, Fan Hsu Li-tai (12 groups) was eclipsed by her colleagues in the Executive Council, Chou Liang Shu-i (17 groups) and Huang Hung-fa (14 groups), but her "exertion of effort" score was higher. Although Mrs. Fan put forward more motions (she made seven motions; Mr. Chou three motions) at the Legislative Council sessions, the difference was not so remarkable. There must be some other reasons than her performance on the public security issue that accounted for the high rating the journalists gave her in appraising her efforts. This is to be further explored.

Liu Hui-ching and Li Chu-ming, both high-score winners in the "exertion of effort" survey, are councilors making frequent public appearances. They were included among the most devoted councilors by the journalists. Apart from their frequent public appearances that have attracted the journalists' notice, their solid work also contributed to their high scores.

In the "exertion of effort" survey, a very interesting result is the score obtained by former chief councilor Li Peng-fei. His average score was 6.71, which should be considered moderate. In fact, Li only joined one bill-examination group, and has not put forth any motion during the past six months (nor did he make any motion last year). Nonetheless, the journalists still gave this former chief councilor a not-so-bad score. This might result from the evaluation of his other work in the council. As to whether this moderate score has something to do with his intention to spend hard efforts on the CRC work, further investigation is required.

#### **Leaders of the Two Major Political Groups Excel in Ability**

The second item in the questionnaire was the journalists' appraisal of the councilors' ability. The result of the appraisal shows that the leaders of the two major political forces in the Legislative Council won the highest scores. Li Chu-ming of UDHK won the first place with a score of 7.75. The second winner was CRC convenor Li Peng-fei, who received a score of 7.53. He was followed by Fan Hsu Li-tai (7.45), Liu Hui-ching (7.25), and Huang Hung-fa (7.22). Councilors whose scores were close to the above-mentioned top five were Chang Wen-kuang (7.05), Szu-tu Hua (7.02), Tu Yeh Hsi-en (6.95), Chou Liang Shu-i (6.9), Huang Wei-hsien (6.97), Ronald Arculli (6.86), Yang Sen (6.83), Tu Chin-shen (6.81), and Tan Yao-tsung (6.8).

Comparing the results of the "exertion of effort" and "ability" appraisals, we find that many councilors received

similar ratings for both. A number of councilors were rated high for both their efforts and ability (Li Chu-ming, Liu Hui-ching, Tu Yeh Hsi-en, Fan Hsu Li-tai, Tu Chin-shen, and Chang Wen-kuang). Only Liu Chien-shih and Wu Ming-chin made good scores in the "exertion of effort" appraisal, but got relatively low scores for their ability. There is no such instances as a councilor getting a high score for his ability but a low score in the "exertion of effort" appraisal.

At the bottom of the ranking, it is also common that the ability score tallies with the exertion-of-effort score. Seven [as published] councilors getting the lowest scores in the "ability" appraisal are Feng Chih-huo, Chan Pei-chung, Liu Huang-fa (these three councilors all had an average score of 4.42), Huang I-hung (4.58), Ni Shao-chieh (4.65), and Liang Chin-hao (4.74). Among them, Feng Chih-huo, Huang I-hung, and Liu Huang-fa also made rather low scores in the "exertion of effort" appraisal.

The above results show clearly that in the eyes of the journalists responding to the questionnaire, those who have ability are often the ones who have exerted themselves pretty well, and vice versa. The leaders of the two major political groups were rated high (and Fan Hsu Li-tai, a CRC core member, also got a high score), while Wu Ming-chin and Liu Chien-shih, who were regarded as very hard-working workers but who are not leaders, were given relatively low scores in the "ability" appraisal. This may indicate that a very essential aspect of the councilors' ability the journalists focused on was leadership ability. As mentioned above, Li Peng-fei did not do much work in the Legislative Council, but was still considered to have done his utmost and was given a high score for his ability. This shows that the respondents, in answering the questionnaire, not only considered the councilors' participation in the various bill-examination groups of the Legislative Council and the interpellations they posed to the government, but also took into account their "political work."

The fact that Liu Hui-ching and Huang Hung-fa ranked high in the "ability" appraisal is indicative of the relatively high value the respondents set on the performance of independent councilors. The conditions of Liu and Huang make an interesting contrast with those of Li Chu-ming and Li Peng-fei. To a certain extent, this may prove the following: Political groups are still unable to monopolize today's political arena at large. The second-line figures of these groups have not caught up with the leaders in every respect of their performance, leaving sufficient room for independent councilors to act. As to the "back-seat councilors" of these political groups, their situation is even less desirable.

#### **All Need More Political Wisdom**

With regard to "political wisdom," most of those winning high scores were councilors who led others in the "exertion of effort" and "ability" appraisals. The high-average-score winners were: Szu-tu Hua (7.15), Li Chu-ming (7), and Li Peng-fei (6.83), Chang Wen-kuang (6.74), and Fan Hsu Li-tai (6.72). As for those at the bottom of the ranking, their "political wisdom" scores were also commensurate with their "exertion of effort" and "ability" scores. They were

Huang I-hung (4.05), Feng Chih-huo (4.08), Ni Shao-chieh (4.3), Chan Pei-chung (4.5), and Liang Chin-hao (4.55).

It is noteworthy that the councilors' average "political wisdom" scores were, in general, slightly lower than the "exertion of effort" and "ability" scores. The highest-score winner for political wisdom was Szu-tu Hua, who received a 7.1 score. There is a moderate gap between this and the highest "exertion of effort" score won by Wu Ming-chin (8.1) and the highest "ability" score gained by Li Chu-ming (7.75).

As to why respondents gave relatively low scores for "political wisdom," it is very hard to give a quick, definite answer. Assuming that the journalists used roughly the same evaluation criteria in answering the questionnaire, the conclusion is: The journalists believe that the general level of the councilors' political wisdom has to be raised.

Because of illness, Szu-tu Hua has not been very active in the Legislative Council during the past six months. This might be one of the reasons that he could not catch up with other democratic leaders in the "exertion of effort" and "ability" appraisals. His leading position in the "political wisdom" appraisal is more or less an indication of the value the journalists set on his actual capability (not his work). In fact, only a few of the numerous councilors have been cited as politically wise, and Szu-tu Hua is one of them. Among those speaking highly of Szu-tu Hua's political wisdom is Dame Teng Lien-ju [Lydia Dunn], member of the Executive Council, who once said privately that, as far as political wisdom is concerned, Szu-tu Hua is the number one man among the numerous legislative councilors. It may be said that the journalists responding to the questionnaire shared the same view as Teng Lien-ju. Perhaps, in the eyes of outsiders, the low profile assumed by Szu-tu Hua over the past six months was just a manifestation of his political wisdom.

As the greatest winner in the Legislative Council election, UDHK—to which Szu-tu Hua belongs—was naturally very active during the past six months. But it was not completely free of mistakes. Shortly after their great success in the election last year, a group of UDHK members went to the Hong Kong Governor's Office and asked Sir Wilson to appoint more Democrats to the Legislative Council, which resulted in unfavorable public opinion about the UDHK. In this action, known as "forcing the governor in his own office," Szu-tu Hua assumed a low profile, and thus averted a serious adverse effect on his image. In subsequent UDHK-CRC conflicts, he has by and large maintained the same style. Therefore, he has been able to keep himself from being affected by the confrontation between these two political groups. This, in the final analysis, is partially because he has not presented himself at the forefront of UDHK.

The relatively low average scores for political wisdom received by the councilors are related to the fact that neither of the two major groups in the Legislative Council had any "creative" performance during the past six months.

First, let us see what UDHK has done. Since its members triumphed in the election last September, they have had no striking performance. In the main, UDHK has played the

role of an opposition party. It has put forward interpellations about the government's administrative work and cast negative votes when necessary. However, this strategy has produced no substantial results, and their influence on the government's work has been limited. Hence, for the most part, the UDHK members' success in the election has only served the purpose of bringing the opposition voice from the outside to the inside of the council.

Of course, UDHK's mediocre performance is related to its strategy, which is characterized by a lack of breakthroughs. However, one thing should not be overlooked: In trying to make a good performance, it has met with considerable obstacles. For instance, on the issue of "domination by the executive branch" versus "domination by legislature," at least two resistant forces—resistance from the "pro-government" figures in the Legislative Council and the Chinese government—have been encountered by UDHK and other political groups that have tried to influence the government's administrative work. Both of these resistant forces are in favor of the present colonial administration and side with each other in defending the "domination by the executive branch." They have become big obstacles to the efforts of UDHK as well as others attempting to change the government's administration. Under these restrictive circumstances, it can be said that there are external reasons for UDHK's lack of striking performance.

Apart from failure to make breakthroughs and the outside obstacles which resulted in the low scores, UDHK's performance has given people the impression that it lacks political wisdom. As a result, it gained low scores for "skills" and "wisdom." The most conspicuous example is that last year its members went to the Governor's Office and made the request for the appointment of councilors. Obviously, UDHK miscalculated the media's reaction, and therefore, invited unfavorable public opinion. This may be viewed as a bold action without stratagem. It is quite possible that the strategic mistake made by UDHK at that time has caused a negative effect on the scores earned by this political group in the recent "political wisdom" survey.

As for CRC, since the alliance was formed by 20 councilors, it may be said that there have been more unfavorable than favorable public opinions about this political group. This can be seen from the labels attached to this political group, such as the "Cooperative Resource Gang," "Royalists," and "Organizational System Faction." CRC resembles UDHK in that neither has an innovative strategy. However, the "political wisdom" scores of CRC members are generally lower than their UDHK counterparts.

So far, CRC's most serious disadvantage is that it has no clear-cut orientation and image. Accordingly, when criticized by outsiders or public opinion as "protecting the empire," "pro-government," or "defending the organizational system," it can hardly put out any effective counteraction. Without a clear-cut line of its own, it cannot help but allowing its status to be defined by others. This may be viewed as indicative of a lack of political wisdom. Moreover, on the issue of forming a political party, each CRC member has all along "beaten his own drum." For instance, at a 3 May symposium, Pan Kuo-lien said that the CRC

members would form a party. However, other members are not entirely unanimous on this issue, giving people a rather confused impression. Earlier, the CRC issued a platform-like document, setting forth its stances and proposals on some major issues in Hong Kong. Nonetheless, this move has not effectively served the purpose of giving the CRC a favorable or positive image. It is no surprise that the CRC members could not get high scores in the "political wisdom" appraisal.

In addition, CRC has not only failed to win high scores, but also lost points for the numerous mistakes it had made in the past. For instance, after the budget was published, the CRC members signed a joint petition with the UDHK members for an increase in the amount of individual tax exemption. For some time, they showed an uncompromising stand in this matter. Afterward, however, they changed their stand and posture, and became passive, thus giving UDHK an excuse to attack them. This shows that the CRC members did not consider the matter thoroughly beforehand. Such an instance may have affected the CRC members' scores in the recent survey.

#### Independent Councilors Are Most Trustworthy

Of the top five in the "trustworthiness" appraisal, most are councilors with no party backgrounds. They are Liu Hui-ching (7.11), Tu Yeh Hsi-en (6.84), and Chen Kun-yao (6.82). The others are James McGregor of the Hong Kong Democratic Foundation (6.83), Liang Chih-hung, and Liu Chien-shih of UDHK (the last two both received a score of 6.71). As can be seen from their scores, the journalists responding to the questionnaire were rather strict in rating "trustworthiness." The best "trustworthiness" score was 7.11, lower than the highest average of 7.15 for "political wisdom." Apart from the strictness of the appraisal, the result shows that almost no leaders and members of the major political groups have gained high scores for trustworthiness. This is in sharp contrast with the results of other appraisals in this survey. Li Chu-ming, president of UDHK, got an average score of 6.45 in the "trustworthiness" appraisal. Vice President Yang Sen got a 5.81 score. Szu-tu Hua, cited as the councilor with the greatest political wisdom, made a score of 6.58. Li Peng-fei, convenor of CRC, got a score of 5, and its members Chang Chien-chuan and Chou Liang Shu-i got 4.45 and 5.22 respectively.

In certain aspects, the result of this appraisal is compatible with public opinion polls concerning political parties. Previous polls revealed a tendency among the Hong Kong residents: They held that political parties should represent the interests of the entire society rather than specific sectors. In addition, most residents assumed an ambiguous attitude toward political parties. There was no clear indication of which party was favored or opposed by the majority. The present survey shows that the most trustworthy are those who have no party background and no apparent personal interests in the Legislative Council. Examples are Liu Hui-ching, who is now a full-time councilor and formerly a journalist; Chen Kun-yao, an economics scholar; and Tu Yeh Hsi-en, an educational worker. As regards the Hong Kong Democratic Foundation, (or Democratic Foundation for short), to which Liang Chih-hong and McGregor belong,

it is rather unclear whose interests it represents. Though it styles itself and is viewed by others as democrats, it pursues a much more moderate line than UDHK. Although most of its members are middle-class people and professionals, it does not advertise itself as a representative of this social stratum. To some extent, its members are similar to independent or nonpartisan councilors.

At the bottom of the "trustworthiness" ranking, five councilors with the lowest average scores were Huang I-hung (4.2), Chan Pei-chung (4.33), Liu Huang-fa (4.38), Chang Chien-chuan (4.45), and Liu Hua-sen (4.51). Coincidentally, all these five councilors are regarded, to some extent, as pro-Peking figures.

#### Pro-Peking Figures Generally Get Low Scores

As can be seen from the results of the survey, the journalists responding to the questionnaire gave relatively low scores to those who are regarded by others or style themselves pro-Peking councilors. This is the case in the "exertion of effort," "ability," "political wisdom," and "trustworthiness" appraisals. The only exception is Tan Yao-tsung.

Among those regarded as pro-Peking councilors are Li Kuo-pao, Huang I-hung, Tan Yao-tsung, and Ni Shao-chieh. Those bearing a similar label are Liu Huang-fa, Chang Chien-chuan, and Chan Pei-chung. With the exception of Tan Yao-chung, all are public figures from industrial and business circles.

Though regarded as a pro-Peking councilor, Tan Yao-tsung won pretty good average scores in the four appraisals. He received a 7.16 score for "exertion of effort," 6.8 for "parliamentarian ability," 6.51 for "political wisdom," and 6.02 for "trustworthiness." He is not among the best-score winners, but his scores are still higher than many other councilors, especially those with a pro-Peking background like himself.

Tan Yao-tsung abstained from voting for the budget bill, and was criticized. This affected his scores. However, the scores he gained in the recent survey indicate that it is not true that a "pro-Peking figure" always receives unfavorable comments, and is distrusted because of his pro-Peking stand. It appears that his style and stance toward specific issues are of key importance.

The better comments received by Tan Yao-tsung than other pro-Peking figures is related to the reasonable and gentle image he has successfully built since he entered the Legislative Council in 1985 as a representative of the labor functional constituency. With regard to the most sensitive issue of Sino-Hong Kong relations, Tan Yao-tsung has all along demonstrated a high degree of skill and restraint instead of rashly making any inappropriate or overly strong statement. Moreover, he has seldom spoken on behalf of the Chinese government. All these are his strong points.

In addition to his acceptable image and style, Tan Yao-tsung has another desirable style: He always gives people the impression that he "does good preparatory work." In making statements, he often has some reasonable grounds to support his viewpoint. This is not only because he is almost a full-time councilor and a public figure from the labor

community, but is also attributable in part to the constant attention he pays to the support work done by his office. (Support from the Federation of Trade Unions is another reason). Since 1985, Tan Yao-tsung's office has always had two or three full-time aids doing policy research and assisting him in the work of the Legislative Council. Most of these aids are college graduates with a certain level of knowledge about social and political issues. This is quite different from the practice of some councilors who just require their secretaries to serve as their assistants.

Of course, not all pro-Peking councilors in the Legislative Council can follow the example of Tan Yao-tsung. Under the circumstances where labor protection is lacking in Hong Kong, Tan Yao-tsung, as a labor representative, has easily created the impression that he is on the side of the toiling people. He has also built an image as an open-minded person. In contrast, councilors from industrial and business circles are apt to be viewed as defenders of the vested interests of businessmen, and there appears to be limited room for them to act. In fact, the biggest problem now faced by councilors from industrial and business circles is that they lack an integrated economic and social viewpoint and program. Instead, they often seek to preserve the status quo as their goal. In the current political climate, they inevitably give people the impression that they are not doing as much as they should. As for those pro-Peking councilors from industrial and business circles, it is even more difficult for them to make breakthroughs under the influence of their "pro-China" label. Before a radical change is made in Sino-Hong Kong relations, the "pro-China" label will still have a considerable negative effect on their "trustworthiness." [passage omitted]

#### **On Desirability of Amending Basic Law**

*92CM0341B Hong Kong MING PAO in Chinese  
1 Jun 92 p 55*

[Article by Chen Hong-yi (7115 1738 3015): "Little To Be Gained Much To Be Lost in Amending Basic Law"]

[Text] Recently, discussions on increasing the number of directly elected Legco seats in 1995 and on making relevant changes to the Basic Law, have touched on at least three main issues: 1) Is demanding that in 1995 there be an increase in the number of directly elected seats tantamount to demanding that the Basic Law be altered? 2) Speaking from a legal point of view, can the Basic Law be altered before its full implementation in 1997? 3) Speaking on the basis of reason and a judgement of the value, should the Basic Law be changed before 1997? What follows will be an attempt at a preliminary discussion of these three aspects of the problem.

Theoretically speaking, when it comes to the method for producing the 1995 Legislative Council, the Hong Kong and British Governments can make a completely unilateral decision, and need not pay attention to the stipulations of the Basic Law, because the Basic Law does not have and could not prescribe stipulations applicable to Hong Kong's political system prior to 1997. But in reality, if they want to maintain the continuity and stability of the political system before and after 1997, or even ensure that the Legco

members elected in 1995 will be able to take the "through train" and become the first members of the Hong Kong Special Administrative Region [SAR] Legislative Council, Hong Kong and British authorities must consult with Beijing, and must seek to harmonize the political system stipulated by Beijing for 1997 with the political system that will be implemented by Hong Kong in 1995.

The 68th Article of the Basic Law states that the method for electing the SAR legislative body will be specified by Appendix 2 of the Law. Appendix 2 states that the first Legislative Council will be produced by "a resolution of the National Peoples' Congress on the method for producing the first government and legislative body of the Hong Kong SAR" (henceforth simply called the "Resolution"). This "Resolution" was passed by the National People's Congress [NPC] on 4 April 1990, and refers to the 60 members of the first legislature, stating that 20 will be directly elected. It also refers to arrangements for the so-called "through train." As for the number of seats in the second and third legislatures (24 and 30, respectively) it is necessary to look at Appendix 2 of the Basic Law.

From this it may be seen that in regard to the 68th Article of the Basic Law dealing with how the legislative body will be constituted, Appendix 2 and the "Resolution" echo each other, and together form a complete system, and their combined result is that the number of directly elected seats will go from 20 (1997), to 24 (1999), and then to 30 (2003). Therefore, if the demand is made to increase the number of seats to 30 in 1995 and 1997, this is equivalent to demanding revision of the Basic Law's Appendix 2 and the "Resolution." Because Appendix 2 and the "Resolution" are closely related to Article 68, constituting a unified whole, reforming the first two could very well mean accepting the stipulations of the Article 159 concerning the procedures for amending the Basic Law.

Article 159 stipulates that the before amendments are made to the Basic Law, the Basic Law Committee must be consulted on its opinions. According to a resolution of the NPC passed on 4 April 1990 concerning the Basic Law Committee, this committee is to be established at the time the Basic Law is implemented, and its Hong Kong members are to be jointly nominated by the senior official of the Hong Kong SAR administration, the Legco Chairman and the Court of Final Appeal. From this it is evident that before the establishment of the SAR in 1997, the NPC, in accordance with Article 159 and the above described procedures stipulating the formation of the Basic Law Committee, cannot amend the Basic Law.

Here, what we must go a step further in considering is whether or not the NPC has the duty to comply with the Basic Law's Article 159 regarding stipulations for the procedures for amending the Basic Law? This is quite a complex question, and at least requires consideration of the following two aspects. First, the 4 April 1990 NPC "Resolution" on the Basic Law clearly states that the Basic Law goes into effect starting on 1 July 1997. From this it is possible to demonstrate that before 1997 Article 159 has no legal effect, and before 1997 the NPC does not have to comply with it. But if one wants to refute this point, it may

also be said that though the Basic Law takes full effect in 1997, before this it is not completely without legal effect, and hence looking at things from the legislative intention of the NPC, Article 159 should, immediately after the Basic Law was passed, have legal effect, because if this was not the case, then any aspect of the Basic Law could be amended at will before 1997. This runs counter to the legal goals designed to calm worries in the early formulations of the Basic Law prior to 1990.

Second, speaking from a purely legal point of view, the NPC has the power, in line with the procedures of Chinese constitutional stipulations, to pass any law, including making amendments to the Basic Law, or even laws that are contrary to the Basic Law. What is worth watching out for is that the Chinese constitution does not prohibit the NPC from using a procedure that is not in conformance with the Basic Law's Article 159, to amend the Basic Law (and even if the constitution is really approached in this way, this constitutional article also could be amended by a two thirds majority of NPC representatives). From this point of view, it is not impossible that before 1997 the NPC could amend the Basic Law. Regarding this point, in the opinion of the British Foreign Secretary, Mr. Douglas Hurd, technically this is also correct.

If we are speaking from a legal point of view, the NPC has the power before 1997 to amend the Basic Law, but should it consider this approach? Is it wise to raise this demand before the NPC? I believe that from the point of view and interests of the people of Hong Kong it should be considered that when it comes to amending the Basic Law before 1997, the losses outweigh the potential gain, the "gain" being a majority of directly elected seats in 1995, and a slight acceleration of the pace of democratization. The "losses" then would be opening the precedent of amending the Basic Law, and thereby dealing a blow to the stability of the Basic Law. If before 1997 amendments could be made to the Basic Law that were beneficial to the Hong Kong people, then the Basic Law could be amended repeatedly, and this could include amendments that were not in the interests of the people of Hong Kong.

The "one country two systems" concept requires a firm rule-by-law base: A Basic Law possessing a high level of authority, durability, and stability. At present the Basic Law that we have is not completely perfect, but it is also not so bad that it must be revised, or that its stability must be sacrificed. The stability of the Basic Law depends on its full implementation, long-term application, making sure it is not too easily revised, and not allowing behavior that is contrary to it. This stability is the basis for our confidence in the future of Hong Kong.

#### **Poll on Major Anti-Beijing Political Group, Governor**

*92CM0341C Hong Kong MING PAO in Chinese  
3 Jun 92 p 7*

[Article: "Support for the Hong Kong (HK) Alliance in Support of the Patriotic Democratic Movement in China Does Not Extend to Unions, 70 Percent of Respondents Refuse To Rate New Governor"]

[Text] A recent poll indicates that the degree of support shown by citizens for the HK Alliance in Support of the Patriotic Movement in China, comes in third among local Hong Kong political groups, and is gradually gaining on that of the current number first place holder, the HK Democratic Alliance. This is also related to the drop in the popularity of the later group. As for the thoughts of Hong Kong citizens on the new governor, Mr. Chris Patten, in comparison to one month ago there has been an increase, but still, nearly 70 percent of those questioned would not rate Mr. Patten because they do not know much about him.

This poll was conducted by the HK Social Science Research Center, using random sampling telephone interviews. It consisted of three surveys over the past half year on the popularity of the HK Alliance. In all, more than 1,700 people were interviewed. Over the last month two surveys were taken on Chris Patten, with more than 500 people interviewed.

On the three occasions the HK Alliance had average scores that were very stable, from 58 to 60, and it was evident that there was virtually no change in citizen support for the HK Alliance over the past six months.

Prior to the last six months, support for the HK Alliance in Support of the Patriotic Democratic Movement in China came in second, only 3.3 points behind the number one HK United Democratic Alliance, but as of one month ago, though they had slipped to third place behind the resurgent and increasingly well known Hong Kong Trade Union Alliance, the difference in scores between the HK Alliance and the HK United Democrats was only 2.6 points.

The Center researcher responsible for this poll, Zhong Ting-yao [6945 1656 5069] stated that due to the stable level of citizen support for the HK Alliance, the closing of the gap in the two scores was related to the recent drop in popularity of the HK United Democrats, and he estimated that this was related to HK United Democrats leader Martin Lee's criticism of [former] Governor Wilson and the fact that this group has not yet obtained public support for its proposed restoration of the death penalty.

Zhong also noted that based on the poll results, roughly speaking, 25 percent of the respondents did not support the HK Alliance, 30 percent expressed neutrality, and the remainder gave the alliance differing levels of support.

He emphasized that this poll is a measure of the level of support of respondents for the HK Alliance, but does not reflect the level of respondent support for the Chinese Democratic Movement or for HK Alliance leaders. However, after analyzing the method respondents used for giving marks in the poll, it was discovered that there was a very high degree of correlation between the marks they gave the HK Alliance and the marks they gave the HK United Democrats and Szeto Wah.

This demonstrates that the respondents could see that these two groups are mutually related, and it is not easily to separate the organization from their leaders.

As for the scores of HK Governor Patten, within one month they had risen from 53.3 to 56.1, wavering around 50,



demonstrating that the respondents were taking a wait-and-see attitude towards Patten. His recognition numbers increased substantially from a month ago, but among the respondents only roughly 30 percent were very familiar with him and were willing to give him marks. (see table).

He believes that the increase recognition of Patten among the respondents is due to the fact that more information is being disseminated via the media.

The poll also revealed that there were no differences between males and females, and that respondents with a university education were more likely to recognize Patten than those with middle or elementary school educations, but the higher the educational level, the lower the marks given him.

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**Score for HK Alliance in Support of Patriotic Democratic Movement in China**

Period	Average*	Recognition**
26-30 May 92	59.5	86%
25-28 March 92	58.1	78%
3-4 December 91	58.5	70%

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**Score for New HK Governor Patten**

26-30 May 92	56.1	33.7%
30 April - 2 May 92	53.3	28.8%

Note: \* 0 represents no support; 50 represents neutrality; 100 represents full support.

\*\* The recognition percentage reflects the level of recognition of the respondents of the organization or individual; and the higher the percentage the higher the level of recognition.

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**Role of Executive Council on Decline**

92CM0341A Hong Kong MING PAO in Chinese  
3 Jun 92 p 61

[Article by Zhongda Asia Pacific Research Institute Deputy Head Liu Zhao-jia (0491 0340 0163): "Position of Executive Council Continues To Decline"]

[Text] Hong Kong's new governor Chris Patten has not yet taken office, but debate has arisen on all sides concerning the nature and organization of the Executive Council [Exco]. There is now discussion on whether or not the Exco should be reorganized, and pure conjecture over Patten's intentions, but it would be better to get at the reality by starting from an analysis of the situation and considering the role and prospects of the Exco.

Up to now, the Exco has played two major roles: As a policy making center for drafting public policies, and promoting Legislative Council [Legco] policies that support the government. In the past political structure and political environment, these two roles did not create any problems. But in the wake of changes experienced by the political system and environment, the two roles have both been weakened and contradictions have emerged. Whether it is now or in the

next several years, the position of the Exco within Hong Kong's political structure will undergo steady decline, and questions such as whether or not it should be reorganized will be decided one way or another.

First, for the Exco to become the policy making center, it relies completely on the unity, mutual trust and common policy orientation of its members. In addition, the binding principle of the Exco is a necessary compliance with a secretive and collective responsibility system, but due to the fact that in the past the Exco members had a considerable commonality with regard to the above described aspects, this did not have to be emphasized. Second, to promote Legco policies that support the government, the Exco and Legco must both maintain close relations, and the Exco must have a relatively high level of prestige in the Legco. In the past, due to the fact that the power of Exco and Legco members came from the Hong Kong Governor, their goal was to assist the governor in ruling Hong Kong, and many Exco members were senior Legco members, hence no conflicts or contradictions could emerge between the two.

But under present circumstances, with China becoming more and more involved in Hong Kong affairs, and with Britain also daily strengthening its participation in Hong Kong matters, along with the numerous entities outside the Exco such as the Advisors Committee and the independent Management Office, the power of the Legco and Exco is also gradually being diluted, and the role of the Exco as the policy making center is also gradually weakening.

In addition, due to the fact that there is some overlap in the membership of the Legco and Exco, even if they want to follow a secretive and collective responsibility system, to explain themselves to the electorate and the people of Hong Kong, they either deliberately or unintentionally must take on few responsibilities. At the same time, leaders from the portion of the organizational system that is essentially British, for the sake of the future of individuals, also does not want to do everything in accordance with Hong Kong Government decrees. Added to this is the fact that their intentions vis-a-vis the British Government could raise doubts, and hence they will maintain a certain distance from Hong Kong and Britain.

From the point of view of the Hong Kong governor, the governor cannot fully depend on the Exco, but also cannot as in the past rely heavily on the Exco. Therefore, current Exco members are not very clear on a large number of government policies.

On the other hand, after the direct elections, the base and source of power of Legco members is gradually becoming separated from the Hong Kong governor, and at the same time its role in supervising the Hong Kong government is being strengthened, its role in assisting the Hong Kong Government has clearly been weakened. Members of the Legco and Exco also cannot effectively ensure the support of an independent Legco when it comes to government policies. If the Exco still wishes to preserve its role in promoting and supporting the Legco, the representative nature of the Exco must be strengthened, by letting even more Legco members become part of the Exco. But if the membership is



made more representative, social conflicts and contradictions will enter the Exco, the collective responsibility system naturally could not be maintained, and hence the Exco would clearly lack the unity required for it to serve as the policy making center.

From this it is evident that the functional style of the future Exco will see a reduction in in-depth discussion, and a comparative increase in the use of the method of voting for making decisions. Among these decisions there will be a large number of issues that will be decided on beforehand, and then taken to the Exco for discussion, while discussion

of events could be more concentrated on local affairs, and less on handling Chinese-Hong Kong affairs.

In the later transition period, the Hong Kong government will obtain support from fewer and fewer forces on all sides, and how it can obtain the support of a fully dependable Exco will be one of its major problems. In addition, if the government cannot change the administrative system, and some Exco members also cannot act as in the past as the "loyal center," so the future Exco will have to accommodate even more forces, which already seems to be an inevitable fact.

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